



CITY OF
uMHLATHUZE
VISION INTO ACTION

City of uMhlathuze
Annual Financial Statements
for the year ended 30 June 2020

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

General Information

Nature of business and principal activities

Local government

Executive Committee

Executive Committee and MPAC

.
Cllr MG Mhlongo (Mayor)
Cllr KD Sibiyi (Deputy Mayor)
Cllr SG Mkhize (Speaker)
Cllr M Lourens (Chief Whip)
Cllr CM Botha (Exco)
Cllr TS Gumede (Exco)
Cllr BC Mthembu (Exco)
Cllr K Mthethwa (Exco)
Cllr DJ Ndimande (Exco)
Cllr TM Phahla (Exco)
Cllr M Sookroo (Exco)
Cllr RM Zikhali (Exco)
Cllr SB Mabaso (Chairperson of section 79 MPAC)

Chief Finance Officer

Mr M Kunene

Accounting Officer

Ms STM Mathebula

Registered Office

5 Mark Strasse
Central Business District
Richards Bay
3900

Business Address

5 Mark Strasse
Central Business District
Richards Bay
3900

Postal Address

Private Bag X1004
Richards Bay
3900

Bankers

ABSA

Auditors

Auditor-General South Africa

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

	Page
Accounting Officer's Responsibilities and Approval	3
Statement of Financial Position	4
Statement of Financial Performance for the year ended 30 June 2020	5
Statement of Changes in Net Assets for the year ended 30 June 2020	6
Cash Flow Statement for the year ended 30 June 2020	7
Statement of Budget Comparison and Actual Amounts for the year ended 30 June 2020	8 - 12
Accounting Policies for the year ended 30 June 2020	13 - 30
Notes to the Annual Financial Statements for the year ended 30 June 2020	31 - 67
Appendixes (not subject to audit):	
Appendix A: Schedule of External loans as at 30 June 2018	68
Appendix B: Analysis of Property, Plant and Equipment as at 30 June 2018	69
Appendix F: Disclosure of Grants and Subsidies in terms of Section 123 , MFMA , 56 of 2003	72

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
MSCOA	Municipal Standard Chart of Accounts
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
SALGA	South African Local Government Association

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

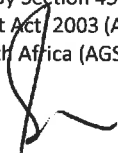
Accounting Officer's Responsibilities and Approval

The City of uMhlathuze, situated at 5 Mark Strasse, Richards Bay, is a category B Municipality, established in terms of section 12(1) of the Municipal Structures Act, 1998 (Act No. 117 of 1998) and published in terms of the Provincial Government Notice 346 on 19 September 2000. The Local Government operations of the Municipality are assigned by section 156 and 229 of the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996) and are defined specifically in terms of section 83 of the Municipal Structures Act 1998 (Act No.117 of 1998).

The annual financial statements set out on pages 4 to 67, which have been prepared on the going concern basis by the accounting officer in terms of section 126 (1) of the Municipal Finance Management Act, 2003 (Act No 56 of 2003) and were signed off accounting officer on 31 October 2020.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act, 1998 (Act No 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

As required by Section 45 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) and Section 121(4)(a) and (b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and Gazette number 43582 the Annual Financial Statements were submitted to the Auditor-General South Africa (AGSA) on 31 October 2020.



Ms STM Mathebula
Acting Accounting Officer

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

	Note(s)	2020 R	2019 Restated* R
Assets			
Current Assets			
Inventories	2	53 794 844	69 380 506
Receivables from non-exchange transactions	3	60 858 556	109 172 225
Receivables from exchange transactions	4	407 981 638	393 136 149
Cash and cash equivalents	5	599 918 428	461 154 733
		1 122 553 466	1 032 843 613
Non-Current Assets			
Investment property	6	87 281 139	87 822 445
Property, plant and equipment	7	6 165 658 011	6 173 539 101
Intangible assets	8	123 603 808	107 285 817
Heritage assets	9	2 464 611	2 464 611
		6 379 007 569	6 371 111 974
Total Assets		7 501 561 035	7 403 955 587
Liabilities			
Current Liabilities			
Other financial liabilities	10	76 066 578	87 792 565
Payables from exchange transactions	11	503 745 444	405 128 696
VAT payable	47	22 487 999	14 327 754
Consumer deposits	12	61 827 916	65 555 956
Unspent conditional grants and receipts	13	23 344 401	10 800 509
Provisions	14	21 822 141	16 518 380
		709 294 479	600 123 860
Non-Current Liabilities			
Other financial liabilities	10	540 787 819	614 841 385
Employee benefit obligation	15	243 928 000	224 236 000
		784 715 819	839 077 385
Total Liabilities		1 494 010 298	1 439 201 245
Net Assets		6 007 550 737	5 964 754 342
Accumulated surplus	16	6 007 550 737	5 964 754 342

* See Note 37

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance for the year ended 30 June 2020

		2020	2019
	Note(s)	R	Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	17	2 007 815 004	1 890 432 000
Rental of facilities and equipment		21 295 693	10 275 798
Interest earned - outstanding debtors		153 447	129 852
Agency services		5 660 351	6 406 951
Licences and permits		2 753 893	3 899 939
Operational revenue	18	77 785 852	54 989 088
Interest revenue - investments	19	46 357 920	27 999 016
Actuarial gains		4 207 281	19 712 000
Total revenue from exchange transactions		2 166 029 441	2 013 844 644
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	508 159 117	477 137 969
Interest revenue - property rates	20	3 424 766	3 280 389
Surcharges and Taxes	45	4 665 230	4 072 533
Transfer revenue			
Transfers and subsidies	21	523 873 022	456 427 945
Public contributions and donations	22	251 238	2 102 809
Fines, Penalties and Forfeits		75 932 191	76 478 848
Total revenue from non-exchange transactions		1 116 305 564	1 019 500 493
Total revenue		3 282 335 005	3 033 345 137
Expenditure			
Employee related costs	23	827 096 137	758 128 805
Remuneration of councillors	24	31 478 088	30 394 989
Post-employment benefit expenses		23 899 281	23 869 000
Depreciation and amortisation	25	355 496 467	464 233 772
Impairment loss		868 309	8 424 712
Finance costs	26	66 789 578	51 286 016
Debt Impairment	27	230 701 840	163 733 092
Collection costs		1 185 385	1 998 049
Bulk purchases	28	1 076 388 364	1 010 855 149
Contracted services	29	289 471 089	312 392 114
Transfers and subsidies	30	13 382 160	15 781 690
Loss on disposal of assets and liabilities		19 845 146	11 689 152
Operating expenses	31	302 936 765	293 945 065
Total expenditure		3 239 538 609	3 146 731 605
(Deficit) / Surplus for the year		42 796 396	(113 386 468)

* See Note 37

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Statement of Changes in Net Assets for the year ended 30 June 2020

	Accumulated surplus R	Total net assets R
Opening balance as previously reported - 30 June 2018	6 080 316 072	6 080 316 072
Adjustments:		
Correction of errors	(2 175 262)	(2 175 262)
Restated* Balance at 01 July 2018	6 078 140 810	6 078 140 810
Changes in net assets		
Surplus for the year	(113 386 468)	(113 386 468)
Total changes	(113 386 468)	(113 386 468)
Restated* Balance at 01 July 2019	5 964 754 341	5 964 754 341
Changes in net assets		
Surplus for the year	42 796 396	42 796 396
Total changes	42 796 396	42 796 396
Balance at 30 June 2020	6 007 550 737	6 007 550 737

* See Note 37

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Cash Flow Statement for the year ended 30 June 2020

	Note(s)	2020 R	2019 Restated* R
Cash flows from operating activities			
Receipts			
Service charges and property rates		2 373 284 793	2 326 515 631
Transfers and subsidies		557 718 010	464 924 947
Interest revenue		46 357 920	27 999 016
Other receipts		122 271 700	79 312 057
		<u>3 099 632 423</u>	<u>2 898 751 651</u>
Payments			
Employee costs		(815 181 993)	(754 289 172)
Suppliers		(1 612 367 014)	(1 723 984 763)
Finance costs		(66 789 578)	(51 286 016)
Transfers and subsidies		(13 382 160)	(15 781 690)
		<u>(2 507 720 745)</u>	<u>(2 545 341 641)</u>
Net cash flows from operating activities	33	<u>591 911 678</u>	<u>353 410 010</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(343 630 925)	(461 900 627)
Proceeds from sale of property, plant and equipment	7	-	759 300
Purchase of other intangible assets	8	(23 737 505)	(54 745 798)
Net cash flows from investing activities		<u>(367 368 430)</u>	<u>(515 887 125)</u>
Cash flows from financing activities			
Proceeds from other financial liabilities		-	310 000 000
Repayment of long-term liabilities		(85 779 553)	(146 790 392)
Net cash flows from financing activities		<u>(85 779 553)</u>	<u>163 209 608</u>
Net increase/(decrease) in cash and cash equivalents		138 763 695	732 493
Cash and cash equivalents at the beginning of the year		461 154 733	460 422 240
Cash and cash equivalents at the end of the year	5	<u>599 918 428</u>	<u>461 154 733</u>

* See Note 37

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Statement of Budget Comparison and Actual Amounts for the year ended 30 June 2020

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual amount as % of final budget
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	2 175 959 600	600 000	2 176 559 600	2 007 815 004	(168 744 596)	92,25 %
Rental of facilities and equipment	10 802 300	(159 500)	10 642 800	21 295 693	10 652 893	200,09 %
Interest earned - outstanding debtors	108 700	-	108 700	153 447	44 747	141,17 %
Agency services	5 970 400	-	5 970 400	5 660 351	(310 049)	94,81 %
Licences and permits	3 406 700	-	3 406 700	2 753 893	(652 807)	80,84 %
Operational income	35 484 100	216 300	35 700 400	77 785 852	42 085 452	217,89 %
Interest received - investment	58 000 000	-	58 000 000	46 357 920	(11 642 080)	79,93 %
Total revenue from exchange transactions	2 289 731 800	656 800	2 290 388 600	2 161 822 160	(128 566 440)	94
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	520 379 700	(10 153 000)	510 226 700	508 159 117	(2 067 583)	99,59 %
Interest revenue - property rates	-	-	-	3 424 766	3 424 766	- %
Surcharges and Taxes	-	-	-	4 665 230	4 665 230	- %
Transfer revenue						
Government grants & subsidies	581 908 000	(9 403 000)	572 505 000	524 124 260	(48 380 740)	91,55 %
Fines, Penalties and Forfeits	7 980 600	(500 000)	7 480 600	75 932 191	68 451 591	1 015,05 %
Total revenue from non-exchange transactions	1 110 268 300	(20 056 000)	1 090 212 300	1 116 305 564	26 093 264	104%
Total revenue	3 400 000 100	(19 399 200)	3 380 600 900	3 278 127 724	(102 473 176)	97%
Expenditure						
Remuneration of employees	(859 549 700)	(1 051 900)	(860 601 600)	(827 096 137)	33 505 463	96,11 %
Remuneration of councillors	(32 403 900)	-	(32 403 900)	(31 478 088)	925 812	97,14 %
Post employment benefits	-	-	-	(23 899 281)	(23 899 281)	- %
Depreciation and amortisation	(408 531 600)	(32 847 000)	(441 378 600)	(355 496 467)	85 882 133	80,54 %
Impairment loss/ Reversal of impairments	-	-	-	(868 309)	(868 309)	- %
Finance costs	(70 845 700)	3 387 700	(67 458 000)	(66 789 578)	668 422	99,01 %
Debt Impairment	(31 453 900)	-	(31 453 900)	(230 701 840)	(199 247 940)	733,46 %
Collection costs	-	-	-	(1 185 385)	(1 185 385)	- %
Other Materials	(121 110 200)	410 400	(120 699 800)	-	120 699 800	- %
Bulk purchases	(1 096 948 600)	3 000 000	(1 093 948 600)	(1 076 388 364)	17 560 236	98,39 %
Contracted Services	(323 134 900)	(47 891 900)	(371 026 800)	(289 471 089)	81 555 711	78,02 %
Transfers and Subsidies	(12 087 300)	(4 162 200)	(16 249 500)	(13 382 160)	2 867 340	82,35 %
Operating expenses	(278 181 100)	(13 244 900)	(291 426 000)	(302 936 765)	(11 510 765)	103,95 %
Total expenditure	(3 234 246 900)	(92 399 800)	(3 326 646 700)	(3 219 693 463)	106 953 237	96,70
Operating surplus	165 753 200	(111 799 000)	53 954 200	58 434 261	4 480 061	

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Statement of Budget Comparison and Actual Amounts for the year ended 30 June 2020

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual amount as % of final budget
	R	R	R	R	R	
Loss on disposal	-	-	-	(19 845 146)	(19 845 146)	- %
Actuarial gains/losses	-	-	-	4 207 281	4 207 281	- %
	-	-	-	(15 637 865)	(15 637 865)	-
Surplus before taxation	165 753 200	(111 799 000)	53 954 200	42 796 396	(11 157 804)	-
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	165 753 200	(111 799 000)	53 954 200	42 796 396	(11 157 804)	-

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Statement of Budget Comparison and Actual Amounts for the year ended 30 June 2020

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual amount as % of final budget
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	80 865 416	(8 501 548)	72 363 868	53 794 844	(18 569 024)	74,34 %
Receivables from non-exchange transactions	97 606 357	-	97 606 357	60 858 556	(36 747 801)	62,35 %
Receivables from exchange transactions	334 888 761	16 837 597	351 726 358	407 981 638	56 255 280	115,99 %
Cash and cash equivalents	370 840 887	(139 380 637)	231 460 250	599 918 428	368 458 178	259,19 %
	884 201 421	(131 044 588)	753 156 833	1 122 553 466	369 396 633	- %
Non-Current Assets						
Investment property	123 195 305	(35 905 266)	87 290 039	87 281 139	(8 900)	99,99 %
Property, plant and equipment	5 746 904 088	648 161 633	6 395 065 721	6 165 658 011	(229 407 710)	96,41 %
Intangible assets	126 022 945	5 758 950	131 781 895	123 603 808	(8 178 087)	93,79 %
Heritage assets	3 011 994	(547 383)	2 464 611	2 464 611	-	100,00 %
	5 999 134 332	617 467 934	6 616 602 266	6 379 007 569	(237 594 697)	- %
Total Assets	6 883 335 753	486 423 346	7 369 759 099	7 501 561 035	131 801 936	- %
Liabilities						
Current Liabilities						
Other financial liabilities	84 691 683	(24 297 547)	60 394 136	76 066 578	15 672 442	125,95 %
Payables from exchange transactions	367 897 071	22 414 383	390 311 454	503 745 447	113 433 993	129,06 %
VAT payable	4 844 565	-	4 844 565	22 487 999	17 643 434	464,19 %
Consumer deposits	86 306 429	(17 931 567)	68 374 862	61 827 916	(6 546 946)	90,42 %
Unspent conditional grants and receipts	20 231 755	-	20 231 755	23 344 401	3 112 646	115,38 %
Provisions	16 296 272	(1 342 116)	14 954 156	21 822 141	6 867 985	145,93 %
	580 267 775	(21 156 847)	559 110 928	709 294 482	150 183 554	126,86 %
Non-Current Liabilities						
Other financial liabilities	528 708 000	63 404 175	592 112 175	540 787 819	(51 324 356)	91,3 %
Employee benefit obligation	270 495 000	(46 259 000)	224 236 000	243 928 000	19 692 000	108,8 %
	799 203 000	17 145 175	816 348 175	784 715 819	(31 632 356,0)	96,1 %
Total Liabilities	1 379 470 775	(4 011 672)	1 375 459 103	1 494 010 301	118 551 198	108,62 %
Net Assets	5 503 864 978	490 435 018	5 994 299 996	6 007 550 734	13 250 738	100,22 %
Net Assets						
Reserves						
Accumulated surplus	5 503 864 978	490 435 018	5 994 299 996	6 007 550 734	13 250 738	100,22 %

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Statement of Budget Comparison and Actual Amounts for the year ended 30 June 2020

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual amount as % of final budget
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	499 564 512	(9 746 880)	489 817 632	508 159 117	18 341 485	103,74 %
Service charges	2 003 004 096	19 982 400	2 022 986 496	1 908 596 631	(114 389 865)	94,35 %
Grants	581 908 000	(9 403 000)	572 505 000	558 081 086	(14 423 914)	97,48 %
Interest income	58 108 700	-	58 108 700	46 357 920	(11 750 780)	79,78 %
Other receipts	63 644 100	(443 700)	63 200 400	85 687 313	22 486 913	135,58 %
	3 206 229 408	388 820	3 206 618 228	3 106 882 067	(99 736 161)	96,89 %
Payments						
Employee costs	(891 953 600)	(1 051 900)	(893 005 500)	(815 181 993)	77 823 507	91,29 %
Suppliers	(1 712 687 006)	(95 132 194)	(1 807 819 200)	(1 632 128 680)	175 690 520	90,28 %
Finance costs	(70 845 700)	3 387 700	(67 458 000)	(66 789 578)	668 422	99,01 %
Other payments	(12 087 300)	(4 162 200)	(16 249 500)	-	16 249 500	- %
	(2 687 573 606)	(96 958 594)	(2 784 532 200)	(2 514 100 251)	270 431 949	90,29 %
Net cash flows from operating activities	518 655 802	(96 569 774)	422 086 028	592 781 816	170 695 788	
Cash flows from investing activities						
Purchase of property, plant and equipment	(589 339 608)	(17 521 730)	(606 861 338)	(344 501 063)	262 360 275	56,77 %
Proceeds from sale of property, plant and equipment	-	33 707 500	33 707 500	-	(33 707 500)	- %
Purchase of other intangible assets	-	-	-	(23 737 505)	(23 737 505)	- %
Net cash flows from investing activities	(589 339 608)	16 185 770	(573 153 838)	(368 238 568)	204 915 270	64,25 %
Cash flows from financing activities						
Proceeds from other financial liabilities	-	4 194 606	4 194 606	-	(4 194 606)	
Repayment of other financial liabilities	(84 326 100)	(1 538 026)	(85 864 126)	(85 779 553)	84 573	
Net cash flows from financing activities	(84 326 100)	(1 538 026)	(81 669 520)	(85 779 553)	84 573	
Net increase/(decrease) in cash and cash equivalents	(155 009 906)	(81 922 030)	(232 737 330)	138 763 695	375 695 631	(59,62)%
Cash and cash equivalents at the beginning of the year	525 850 793	(61 653 213)	464 197 580	461 154 733	(3 042 847)	99,34 %
Cash and cash equivalents at the end of the year	370 840 887	(143 575 243)	231 460 250	599 918 428	372 652 784	259,19 %

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Statement of Budget Comparison and Actual Amounts for the year ended 30 June 2020

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual amount as % of final budget
	R	R	R	R	R	
Capital expenditure						
Finance and Administration	37 499 800	31 908 700	69 408 500	56 797 049	(12 611 451)	81,83 %
Community and Social Services	31 533 400	29 144 100	60 677 500	18 863 687	(41 813 813)	31,09 %
Energy Sources	96 909 700	(24 455 400)	72 454 300	48 219 132	(24 235 168)	66,55 %
Housing	-	6 339 900	6 339 900	-	(6 339 900)	- %
Environmental protection	-	-	-	440 020	440 020	- %
Planning and Development	33 000 000	(27 384 700)	5 615 300	1 828 869	(3 786 431)	32,57 %
Sport and Recreation	32 525 000	2 283 500	34 808 500	4 916 198	(29 892 302)	14,12 %
Waste Management	3 600 000	-	3 600 000	1 821 500	(1 778 500)	50,60 %
Waste Water Management	75 517 100	(10 087 900)	65 429 200	45 181 940	(20 247 260)	69,05 %
Water	175 540 000	8 541 100	184 081 100	113 371 968	(70 709 132)	61,59 %
Road Transport	111 408 000	4 324 500	115 732 500	75 793 428	(39 939 072)	65,49 %
Total expenditure	597 533 000	20 613 800	618 146 800	367 233 791	(261 282 970)	59,41%

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies for the year ended 30 June 2020

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003) with the exception of certain accounting policies adopted in accordance with International Accounting Standards (IAS).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below:

- GRAP 1 Presentation of Financial Statement
- GRAP 2 Cash Flow Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Error
- GRAP 5 Borrowing Costs
- GRAP 6 Consolidated and Separate Financial Statements
- GRAP 9 Revenue from Exchange Transactions
- GRAP 12 Inventories
- GRAP 13 Leases
- GRAP 14 Events after the Reporting Date
- GRAP 16 Investment property
- GRAP 17 Property, Plant and Equipment
- GRAP 19 Provisions, Contingent Liabilities and Contingent Asset
- GRAP 20 Related Party
- GRAP 21 Impairment of non-cash generating asset
- GRAP 23 Revenue from Non-exchange transactions
- GRAP 24 Presentation of budget information
- GRAP 25 Employee benefits
- GRAP 26 Impairment of cash generating assets
- GRAP 31 Intangible Assets
- GRAP 100 Non-Current Assets Held for Sale and Discontinued Operations
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments
- GRAP 106 Transfer of Functions between entities not under common Control
- GRAP 108 Statutory Receivables
- GRAP 109 Accounting by Principals and Agents

These accounting policies are consistent with the previous period, except for the changes set out in note First-time adoption of Standards of GRAP.

The following GRAP standards have been issued but are not yet effective and have not been adopted early by the Municipality:

- GRAP 18 Segment Reporting

The following GRAP standards have been issued and effective but are not applicable to the Municipality.

- GRAP 4 The effects of changes in foreign exchange rates
- GRAP 6 Consolidated and separate financial statements
- GRAP 7 Investments in associate
- GRAP 8 Interest in joint ventures
- GRAP 10 Financial reporting in hyperinflationary economics
- GRAP 27 Agriculture
- GRAP 32 Standard of GRAP on Service Concession Arrangements: Grantor

1.1 Presentation currency

These annual financial statements are presented in South African Rand. The figures are rounded off to the nearest rand.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies for the year ended 30 June 2020

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

Management considers key financial metrics and approved medium-term budgets, MFMA Section 71 reports together with the municipality's dependency on grants from national and provincial government, to conclude that the going concern assumption used in the compiling of its annual financial statements, is appropriate. The COVID-19 disaster has not yet affected the going concern assumption however management is continuously assessing any indicators of negative impact particularly increases in accounts receivables.

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Materiality has been considered in determining whether information is required to be recognised, measured, presented and disclosed in accordance with the requirements in the Standards of GRAP as well as assessing the effect of omissions, misstatements and errors on the financial statements.

Budget information

Variances between budget and actual amounts are regarded as material when there is a variance of:

- 20% or greater in the statement of financial position, the statement of financial performance and the cash flow statement

1.4 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.5 Significant judgements and sources of estimation uncertainty

The preparation of the Municipality's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Municipality's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

Operating lease – Municipality as lessor

The Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

Depreciation and impairment

The Municipality depreciates its assets over their estimated useful lives taking into account residual values, where appropriate. The appropriateness of its assets' estimated useful lives, residual values and their depreciation methods are re-assessed on an annual basis. The actual lives of these assets and their respective residual values may vary depending on a variety of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

Management used their judgement in applying the internal and external impairment indicators to its assets. No impairment indicators were identified and as such the recoverable amounts of the aforementioned assets was not calculated.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies for the year ended 30 June 2020

1.5 Significant judgements and sources of estimation uncertainty (continued)

Consumer receivables

At year-end management makes an estimate of the amount of total outstanding customer debt that it expects to hand over to external debt collectors and the total subsequent receipts it expects to receive after year end. In addition, management estimates the amounts that it expects to recover from outstanding balances handed over based upon the age profile of debts handed over and based on prior experience and trends. A provision for impairment is raised based on these estimates. A detailed breakdown of the student fee receivable is provided in note 3.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate every year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

1.6 Comparative figures

Prior year Comparative

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Current year Comparative

Budgeted amounts have been included in the annual financial statements for the current financial year only.

1.7 Property, plant and equipment

Initially recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

Infrastructure assets in particular are those that are part of a system or network, specialized in nature and do not have alternative uses, immovable and maybe subject to constraints on disposal.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies for the year ended 30 June 2020

1.7 Property, plant and equipment (continued)

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality.

Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured.

Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it de-recognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses. Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Depreciation

Land is not depreciated as it is regarded as having an indefinite life. Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality on each asset.

Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

The Municipality assesses at each reporting date whether there is any indication that the entity's expectations about the residual value and useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value. The change(s) are accounted for in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Depreciation only commences when the asset is available for use.

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies for the year ended 30 June 2020

1.7 Property, plant and equipment (continued)

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 7).

The municipality discloses relevant information relating to assets that are work in progress, in the notes to the financial statements (see note 7).

The table below shows the depreciation methods and average useful lives.

Buildings	Straight line	30 years
Roads and paving	Straight line	15-65 years
Watercraft	Straight line	15 year
Furniture and fixtures	Straight line	7 years
Motor vehicles	Straight line	3-7 years
Office equipment	Straight line	3-5 years
Pedestrian bridges	Straight line	30 years
Electricity infrastructure	Straight line	20-30 years
Community	Straight line	5-30 years
Water infrastructure	Straight line	15-65 years
Sewerage infrastructure	Straight line	15-30 years
Housing	Straight line	30 years
Specialised plant and equipment	Straight line	10-15 years
Bins and containers	Straight line	5-10 years
Other property, plant and equipment	Straight line	2-5 years
Specialised vehicles	Straight line	10 years

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Leased assets are classified as investment property measured at cost model and depreciation on leased assets has been calculated in accordance with GRAP 17 Property, plant and equipment.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies for the year ended 30 June 2020

1.8 Leases (continued)

Operating leases - lessee

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease expenses are recognised on a straight-line basis over the lease term.

1.9 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies for the year ended 30 June 2020

1.9 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

In assessing whether there is any indication that an asset may be impaired, the following have been considered:

External sources of information

- Cessation or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the entity that have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the municipality operates.

Internal sources of information

- Evidence of physical damage of an asset;
- Increased expenditure on repairs and maintenance on the asset.

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or circumstances indicate that the serviceable amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount exceeds the recoverable service amount.

The recoverable service amount is the higher of the assets fair value less cost to sell, or its value in use.

The value in use is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

1.10 Intangible assets

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses and development costs.

An asset is identifiable when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability, or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the Municipality or from other rights and obligations.

Initial recognition

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies for the year ended 30 June 2020

1.10 Intangible assets (continued)

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or the service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale
- the Municipality has the ability to use or sell the asset
- the Municipality can reliably measure expenditure during development
- it is technically feasible to complete the intangible asset
- the Municipality has the resources to complete the project, and
- it is probable that the Municipality will receive future economic benefits or service potential

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Internally generated intangible assets are subject to strict recognition criteria before they are capitalised.

Intangible assets are initially recognised at cost. Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Amortisation and impairment

The cost of an intangible asset is amortised over the useful life of 3 - 7 years.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

An intangible asset with an indefinite useful life is not amortised.

Subsequent measurement

Intangible assets are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Derecognition

An intangible asset is derecognised when it is permanently withdrawn from use and no future economic benefit or service potential is derived from it. The gain or loss arising from the disposal of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It is recognised in surplus or deficit when the intangible asset is derecognised.

1.11 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies for the year ended 30 June 2020

1.11 Investment property (continued)

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less any estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 6).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 6).

Initial recognition

Investment property is recognised as an asset, only where:

- It is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity; and
- The cost or fair value of the investment property can be measured reliably.

Investment properties have been initially measured at cost (Transaction costs shall be included in this initial measurement). Transaction costs are costs which are directly attributable to the expenditure, for example professional fees for legal services, conveyancing fees, property transfer taxes and other transaction costs shall be included in this initial measurement.

If payment for investment property is deferred, its cost is the cash price equivalent.

The difference between this amount and the total payments is recognised as interest expense over the period of credit.

Subsequent measures

Subsequently investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on cost, using the straight-line method over the useful life of the property. Buildings held under Investment property are depreciated on an average useful life of 30 years. Vacant land held under investment properties is not depreciated.

Derecognition

An investment property is derecognised upon disposal, or when it is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Any gain or loss arising from the retirement or disposal of investment property is included in surplus or deficit in the period of the retirement or disposal.

1.12 Inventories

Consumable stores, unsold water, and land held for sale are valued at the lower of cost and net realisable value.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies for the year ended 30 June 2020

1.12 Inventories (continued)

In general, the basis of determining cost is the first-in, first-out method.

For the land component recognised in terms of GRAP 12 land is recognised at cost with the cost based on fair value at date of recognition.

Redundant and slow-moving inventories are identified and written down to current replacement cost.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue in the period of consumption. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month in which they were read. Revenue from the sale of electricity prepaid meter cards is deferred and recognised as revenue on the consumption basis, commencing on date of purchase.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied.

Service charges from sewerage are based on the water consumption on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time apportionment basis. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariffs. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the risks and rewards of ownership of the goods is passed to the consumer.

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts allowed by the Municipality.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies for the year ended 30 June 2020

1.14 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when it is accrued. Spot fines are usually not given directly to the offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect to summon, the Public Prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use furthermore Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality.

Where public contributions have been received but the Municipality has not met the related conditions, a deferred income (liability) is recognised.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible Councillors or officials is virtually certain.

The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.15 Provisions and contingencies

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Contingent Liabilities and Assets are not recognized but disclosed.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

1.16 Housing development fund

Housing selling schemes both complete and in progress at 1 April 1998, were also transferred to the Housing Development Fund. All proceeds from housing developments, which include rental income and sales of houses, is paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund are used to finance housing developments within the municipal area. Any transfers to and from the fund are recognized in the statement of changes in net assets.

1.17 Retirement benefits

The Municipality provides post-retirement medical aid benefits to retired employees. The entitlement to these benefits is usually conditional on the employee remaining in employment up to retirement age.

An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies for the year ended 30 June 2020

1.17 Retirement benefits (continued)

The Expected costs of these benefits are accrued over the period of employment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in the statement of financial performance for the reporting period. The Defined benefit obligations are valued every year by independent qualified actuaries.

1.18 Borrowing costs

Borrowing costs incurred are recognised as an expense in the Statement of Financial Performance in the period in which they are incurred in accordance with GRAP 5.

1.19 Financial instruments

Classification

The Municipality has types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

Subsequent measurement of financial assets and financial liabilities

Financial assets are categorised according to their nature as financial assets at amortised costs and financial liabilities are categorized as financial liabilities carried at amortised cost in accordance with GRAP 104.

Financial assets

The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition.

Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables including statutory receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. The fair value of Debtors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off.

Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as Financial assets: loans and receivables. The closing balance on the bank account is representative of its fair value of the monies held.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as Financial liabilities: other financial liabilities carried at amortised cost.

Financial liabilities

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies for the year ended 30 June 2020

1.19 Financial instruments (continued)

Trade and other payables from exchange transactions

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest. The fair value of creditors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Borrowings and other financial liabilities

Borrowings are recognised initially at fair value, net transaction costs incurred. Borrowings are subsequently stated at amortised cost. Long-term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Long-term borrowings are utilised. Other financial liabilities are carried at amortised cost.

The interbank rate or prime lending rate is not the risk-free interest rate, however it has been used as a benchmark for determining the market related rate of interest which is not significantly different to the current rates on long-term loans, hence the fair value of these loans equates their amortised cost.

1.20 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations. A heritage asset shall be recognised as an asset if, and only if,

- (a) It is probable that the economic benefit or service potential will flow to the Municipality,
- (b) The cost or the fair value will be measured reliably.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

Initial measurement

A heritage asset that qualifies for recognition as an asset shall be measured at its cost (Cash price equivalent at the recognition date). Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

Subsequent measurement

Heritage assets are not depreciated, since their long economic life and high residual value mean that any depreciation would be immaterial.

After recognition as an asset, heritage assets shall be carried at its cost less any accumulated impairment losses. The Municipality assesses at each reporting date whether there are any indicators of impairment of Heritage assets.

Where there is an indication of impairment the assets are recorded at their recoverable amount or their recoverable service amount.

Derecognition

A Heritage asset is de-recognised when it is disposed or where there is no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from de-recognition, is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognized.

1.21 Short term benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies for the year ended 30 June 2020

1.21 Short term benefits (continued)

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.22 Grants in aid

The Municipality donates money, goods or services to individuals, organisations and other sectors of government from time to time. When making these donations, the Municipality does not:

Receive any goods or services directly in return as would be expected in a purchase or sale transaction;

Expect to be repaid in future; or

Expect a financial return, as would be expected from an investment.

These transfers are recognized in the statement of financial performance as expenses in the period during which events giving rise to the transfer occurred.

1.23 Budget information

The budget is prepared on an accrual basis. The budget amounts are scheduled as a separate additional financial statement called the statement of comparison of budget and actual amounts.

Explanatory comments are provided in the notes to the annual financial statements, first stating reasons for changes from approved to final budget and secondly reasons for overspending or underspending on line items.

1.24 Unauthorised expenditure

Unauthorized expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003).

1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 Value-added Tax

VAT

The Municipality accounts for Value Added Tax on payments basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services. The net output VAT on debtors where money has not been received or creditors where payment has not been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1.

1.28 Statutory receivables

Identification

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies for the year ended 30 June 2020

1.28 Statutory receivables (continued)

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies for the year ended 30 June 2020

1.28 Statutory receivables (continued)

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.29 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are made in respect of capital commitments for all contracts that are ongoing and not yet completed.

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.30 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies for the year ended 30 June 2020

1.30 Accounting by principals and agents (continued)

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Recognition

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.31 Internal reserves

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

The following guidelines are set for the creation and utilisation of the CRR:

- 1) The cash funds that back up the CRR are invested until utilised.
- 2) The CRR may only be utilised for purchasing items of property, plant and equipment, and not their maintenance, unless otherwise directed by Council.
- 3) Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from CRR and accumulated surplus is credited by a corresponding amount.

Self insurance reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that arises from municipal fleet that is not insured externally. The balance of the Self-Insurance Reserve is determined based on the insurance risk carried by the municipality and past claims history. The balance of the self-insurance fund is invested in short-term cash investments.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

1.32 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies for the year ended 30 June 2020

1.32 Related parties (continued)

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.33 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

	2020 R	2019 R
2. Inventories		
Consumable stores	20 713 031	19 581 006
Water for distribution	1 610 813	1 744 500
Land	31 471 000	48 055 000
	53 794 844	69 380 506

Land held as inventory to the value of R15 675 000 has been transferred to property, plant and equipment.

Inventory pledged as security

During the year no inventory was pledged as security.

3. Receivables from non-exchange transactions

Fines	170 878 840	101 235 490
Rates	82 953 161	76 028 928
Amounts paid in advance	-	8 595 497
Other receivables from non-exchange revenue	14 278 875	39 729 657
Impairment - Rates	(51 263 091)	(24 500 000)
Impairment - Fines	(155 989 229)	(91 917 347)
	60 858 556	109 172 225

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2020, R 27 334 612 (2019: R17 237 047) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	16 478 634	11 391 758
2 months past due	10 855 978	5 845 289
Rates		
Current (0 -30 days)	33 372 206	40 868 272
31 - 60 days	7 802 734	3 691 358
61 - 90 days	4 692 878	1 981 689
91 - 120 days	3 227 556	1 411 438
121 - 365 days	14 750 492	13 694 353
> 365 days	19 107 295	15 772 746
	82 953 161	77 419 856
Fines		
Current (0 -30 days)	8 675 900	5 084 650
31 - 60 days	7 553 450	7 700 400
61 - 90 days	6 163 100	3 863 600
91 - 120 days	6 256 650	6 979 500
121 - 365 days	4 856 550	53 914 250
> 365 days	137 373 190	23 693 090
	170 878 840	101 235 490

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening Balance	(116 417 347)	(43 116 953)
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City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

	2020 R	2019 R
3. Receivables from non-exchange transactions (continued)		
Contribution	(91 444 850)	(74 231 236)
Write Off	1 260 948	930 842
	(206 601 249)	(116 417 347)

Statutory receivables

The Municipality has statutory receivables included as part of receivables from non-exchange transactions.

Statutory receivables general information

Transaction(s) arising from statute

Property Rates

Property rates are levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004, hence this therefore recognised as a statutory receivable. The receivable is calculated by applying the Council Approved rates and ranges against the valuation of individual properties within the municipality jurisdiction. Council approved rebates and exemptions are further applied to reduce the receivable.

Fines

Traffic fines are issued to offenders in terms of Criminal Procedures Act, hence this is therefore recognised as a statutory receivable. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court of law.

Interest or other charges levied

The Municipality charges interest on all outstanding debtor balances older than 30 days in respect of property rates account at a simple interest rate of prime plus 1%.

Basis use to assess and test whether a statutory receivable is impaired

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

If there is an indication that a statutory receivable, or group of statutory receivables may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivable is reduced. The amount of loss is recognised in the surplus or deficit.

Statutory receivables past due but not impaired

Certain statutory receivables which are less than 3 months past due are not considered to be impaired. Other statutory receivables that are older than 3 months are not considered for impairment if there is indication they would be collected. At 30 June 2020, R27 334 612 (2019: R17 237 047)

Statutory receivables included in receivables from non-exchange transactions are as follows, on a gross basis

Traffic Fines	170 878 840	101 235 490
Property Rates	82 935 161	76 028 928
	253 814 001	177 264 418

Statutory receivables that are past due and impaired included in receivables from non-exchange transactions are as follows:

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

	2020 R	2019 R
3. Receivables from non-exchange transactions (continued)		
Traffic Fines	(155 989 229)	(91 917 347)
Property Rates	(50 612 020)	(24 500 000)
	(206 601 249)	(116 417 347)
Statutory receivables included in receivables from non-exchange transactions above are as follows, net of impairment:		
Traffic Fines	14 889 611	9 318 143
Property Rates	32 323 141	39 528 928
	47 212 752	48 847 071
Reconciliation of provision for impairment for statutory receivables		
Opening balance	(116 417 347)	(43 116 953)
Contribution	(91 444 850)	(74 231 236)
Write Off	1 260 948	930 842
	(206 601 249)	(116 417 347)
4. Receivables from exchange transactions		
Gross balances		
Electricity	171 309 824	180 817 855
Water	370 747 784	251 335 330
Sewerage	21 325 021	18 477 609
Refuse	16 056 786	13 177 753
Sundry debtors	65 961 746	34 704 545
Housing rental	12 295 929	11 494 676
	657 697 090	510 007 768
Less: Allowance for impairment		
Electricity	(40 937 414)	(25 700 000)
Water	(165 124 397)	(70 871 619)
Sewerage	(11 932 453)	(4 700 000)
Refuse	(9 221 188)	(3 600 000)
Sundry Debtors	(16 200 000)	(8 800 000)
Housing rental	(6 300 000)	(3 200 000)
	(249 715 452)	(116 871 619)
Net balance		
Electricity	130 372 410	155 117 855
Water	205 623 387	180 463 711
Sewerage	9 392 568	13 777 609
Refuse	6 835 598	9 577 753
Sundry debtors	49 761 746	25 904 545
Housing rental	5 995 929	8 294 676
	407 981 638	393 136 149
Electricity		
Current (0 -30 days)	149 884 527	154 963 581
31 - 60 days	5 429 908	12 328 643
61 - 90 days	4 192 941	1 442 635
91 - 120 days	1 931 302	1 045 810

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

	2020 R	2019 R
4. Receivables from exchange transactions (continued)		
121 - 365 days	5 228 375	5 328 615
> 365 days	4 642 771	5 708 571
	171 309 824	180 817 855
Water		
Current (0 -30 days)	85 356 048	84 033 675
31 - 60 days	26 067 672	14 809 088
61 - 90 days	21 678 190	7 627 122
91 - 120 days	19 628 169	7 741 392
121 - 365 days	131 600 815	30 722 432
> 365 days	86 416 890	106 401 621
	370 747 784	251 335 330
Sewerage		
Current (0 -30 days)	8 556 346	10 099 639
31 - 60 days	2 263 925	1 195 403
61 - 90 days	1 625 623	771 610
91 - 120 days	1 291 040	533 703
121 - 365 days	3 564 091	2 542 717
> 365 days	4 023 996	3 334 537
	21 325 021	18 477 609
Refuse		
Current (0 -30 days)	6 518 903	7 557 225
31 - 60 days	2 436 612	800 889
61 - 90 days	1 610 646	508 715
91 - 120 days	802 600	404 228
121 - 365 days	2 437 884	1 990 882
> 365 days	2 250 141	1 915 814
	16 056 786	13 177 753
Sundry debtors		
Current (0 -30 days)	(6 325 458)	9 490 974
31 - 60 days	595 107	1 400 751
61 - 90 days	2 084 504	666 334
91 - 120 days	2 170 677	511 572
121 - 365 days	7 081 385	7 254 784
> 365 days	60 355 531	15 380 130
	65 961 746	34 704 545
Housing rental		
Current (0 -30 days)	113 891	1 398 483
31 - 60 days	382 438	226 579
61 - 90 days	343 646	170 330
91 - 120 days	558 993	164 973
121 - 365 days	1 756 630	1 339 323
> 365 days	9 140 331	8 194 988
	12 295 929	11 494 676

Summary of debtors by customer classification

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

	2020 R	2019 R
4. Receivables from exchange transactions (continued)		
Consumers		
Current (0 -30 days)	75 981 570	76 999 499
31 - 60 days	9 332 615	4 992 277
61 - 90 days	9 678 318	4 304 970
91 - 120 days	7 118 523	5 674 393
121 - 365 days	42 174 011	26 227 298
> 365 days	78 333 597	68 572 618
	<u>222 618 634</u>	<u>186 771 055</u>
Less: Allowance for impairment	(76 908 343)	(45 754 763)
	<u>145 710 291</u>	<u>141 016 292</u>
Industrial/ commercial		
Current (0 -30 days)	199 188 757	182 046 987
31 - 60 days	25 538 195	4 526 114
61 - 90 days	19 150 157	5 470 789
91 - 120 days	20 489 045	5 223 296
121 - 365 days	66 012 836	8 924 732
> 365 days	70 565 466	59 123 755
	<u>400 944 456</u>	<u>265 315 673</u>
Less: Allowance for impairment	(138 514 792)	(62 456 774)
	<u>262 429 664</u>	<u>202 858 899</u>
National and provincial government		
Current (0 -30 days)	21 927 268	11 386 603
31 - 60 days	1 362 617	438 563
61 - 90 days	781 861	55 667
91 - 120 days	477 869	45 326
121 - 365 days	3 295 807	3 063 194
> 365 days	6 288 578	3 375 225
	<u>34 134 000</u>	<u>18 364 578</u>
Less: Allowance for impairment	(11 792 316)	(6 988 463)
	<u>22 341 684</u>	<u>11 376 115</u>
Total		
Current (0 -30 days)	297 097 595	259 046 486
31 - 60 days	36 233 427	9 956 954
61 - 90 days	29 610 336	9 831 426
91 - 120 days	28 085 437	10 943 015
121 - 365 days	111 482 654	38 215 224
> 365 days	155 187 641	182 014 663
	<u>657 697 090</u>	<u>510 007 768</u>
Less: Allowance for impairment	(249 715 452)	(116 871 619)
	<u>407 981 638</u>	<u>393 136 149</u>
Less: Allowance for impairment		
> 365 days	<u>(249 715 452)</u>	<u>(116 871 619)</u>
Reconciliation of allowance for impairment		
Balance at beginning of the year	(116 871 619)	(59 600 000)

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

	2020 R	2019 R
4. Receivables from exchange transactions (continued)		
Contributions to allowance	(138 605 918)	(90 938 639)
Debt impairment written off against allowance	5 762 085	33 667 020
	(249 715 452)	(116 871 619)

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2020, R65 843 763 (2019: R 19 788 380) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	36 233 427	9 956 954
2 months past due	29 610 336	9 831 426

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	42 719	49 499
Bank balances	109 875 709	71 105 234
Short-term deposits	490 000 000	390 000 000
	599 918 428	461 154 733

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
Absa bank - Cheque - 2150000028	48 991 823	47 997 652	-	49 958 239	47 402 750	-
Absa bank - Deposit - 2150000095	31 556 561	4 519 550	-	39 771 349	5 702 684	-
Absa bank - Deposit - 9123615121	463 994	443 415	-	465 577	443 415	-
Absa bank - Deposit - 9171373496	2 699 165	2 787 421	-	2 708 372	2 791 204	-
Absa bank - Deposit - 9092247889	6 590 677	6 304 325	-	6 601 168	6 317 504	-
Absa bank - Deposit - 9171373917	5 547 708	5 194 634	-	5 566 631	5 304 434	-
Absa bank - Deposit - 9233674990	4 267	4 149	-	4 278	4 347	-
Absa bank - Deposit - 9272068005	1 658 470	1 579 471	-	1 659 224	1 580 626	-
Absa bank - Deposit - 4079286548	119 656	444 029	-	3 710	3 710	-
Absa bank - Deposit - 9283221999	1 997 088	2 023 279	-	2 007 986	1 285 388	-
Absa bank - Deposit - 9082916767	1 127 309	268 989	-	1 129 175	269 173	-
Total	100 756 718	71 566 914	-	109 875 709	71 105 235	-

6. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	94 255 678	(6 974 539)	87 281 139	94 257 032	(6 434 587)	87 822 445

Reconciliation of investment property - 2020

	Opening balance	Disposals	Depreciation	Total
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City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

	2020		2019
	R		R
6. Investment property (continued)			
Investment property	87 822 445	(1 354)	(539 952)
			87 281 139

Reconciliation of investment property - 2019

	Opening balance	Reclassification	Restatements	Depreciation	Total
Investment property	87 333 174	184 494	839 015	(534 238)	87 822 445

Pledged as security

During the year there was no investment property pledged as security:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

7. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 274 000 434	-	1 274 000 434	1 267 582 533	-	1 267 582 533
Infrastructure	11 685 429 993	(7 663 820 817)	4 021 609 176	11 457 953 178	(7 455 889 088)	4 002 064 090
Community	546 668 364	(223 395 165)	323 273 199	523 475 588	(197 620 647)	325 854 941
Other property, plant and equipment	880 398 728	(480 497 211)	399 901 517	834 075 493	(413 380 829)	420 694 664
Housing	183 371 441	(36 497 756)	146 873 685	178 931 632	(21 588 759)	157 342 873
Total	14 569 868 960	(8 404 210 949)	6 165 658 011	14 262 018 424	(8 088 479 323)	6 173 539 101

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Work in Progress	Disposals	Reclassification	Depreciation	Impairment loss	Total
Land	1 267 582 533	237 000	-	(9 494 099)	15 675 000	-	-	1 274 000 434
Infrastructure	4 002 064 090	30 588 565	241 868 923	(8 567 997)	-	(244 206 319)	(138 086)	4 021 609 176
Community	325 854 941	3 719 433	19 886 785	(261 214)	-	(25 720 944)	(205 802)	323 273 199
Other property, plant and equipment	420 694 664	42 129 201	5 353 708	(611 480)	-	(67 140 155)	(524 421)	399 901 517
Housing	157 342 873	-	-	-	-	(10 469 188)	-	146 873 685
	6 173 539 101	76 674 199	267 109 416	(18 934 790)	15 675 000	(347 536 606)	(868 309)	6 165 658 011

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Work in Progress	Disposals	Reclassification	Restatement	Depreciation	Impairment loss	Impairment reversal	Total
Land	1 267 582 533	-	-	-	-	-	-	-	-	1 267 582 533
Infrastructure	4 083 603 042	32 777 932	292 039 134	(5 070 588)	(1 980 783)	(33 257 032)	(363 256 017)	(8 424 712)	5 633 114	4 002 064 090
Community	319 344 210	6 884 593	28 385 196	(2 087 501)	4 312 782	(3 709 422)	(27 274 917)	-	-	325 854 941
Other property, plant and equipment	392 690 520	68 037 145	29 336 819	(5 018 531)	(3 666 215)	(430 034)	(60 255 040)	-	-	420 694 664
Housing development fund	173 342 102	-	4 439 809	-	1 137 947	11 774	(21 588 759)	-	-	157 342 873
	6 236 562 407	107 699 670	354 200 958	(12 176 620)	(196 269)	(37 384 714)	(472 374 733)	(8 424 712)	5 633 114	6 173 539 101

Property, plant and equipment in the process of being constructed or developed

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Roads	814 723	10 028 945
The delays are due to encroachments and land issues.		
Community	4 677 647	2 782 363
The delays are due to community challenges.		
Other Assets	-	439 157
The delays are due to scope amendments due to on site challenges.		

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

	2020 R	2019 R
7. Property, plant and equipment (continued)		
Water and Sanitation	14 754 222	21 873 637
The delays are due community challenges.		
	20 246 592	35 124 102

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

	2020 R	2019 R
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7. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	449 924 763	34 817 302	39 164 905	523 906 970
Additions/capital expenditure	241 868 923	19 886 785	5 353 708	267 109 416
Transferred to completed items	(143 814 258)	(13 924 754)	(19 526 874)	(177 265 886)
	547 979 428	40 779 333	24 991 739	613 750 500

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	249 679 862	5 834 002	10 574 057	266 087 921
Additions/capital expenditure	296 478 943	28 385 199	29 336 819	354 200 961
Prior year expense	(12 163 186)	(855 090)	(320 235)	(13 338 511)
Prior year capitalisation	(69 656 876)	(1 636 168)	(3 755 189)	(75 048 233)
Transferred to completed items	(7 995 168)	-	-	(7 995 168)
Prior year reclassification	(6 418 812)	3 089 359	3 329 453	-
	449 924 763	34 817 302	39 164 905	523 906 970

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Employee related costs	-	217 249 768
Contracted services	72 347 849	136 433 709
Materials	58 729 082	73 890 889
Transport	9 357 518	14 330 867
	140 434 449	441 905 233

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

8. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and impairment	Carrying value	Cost / Valuation	Accumulated amortisation and impairment	Carrying value
Computer software, other	134 234 244	(14 182 894)	120 051 350	110 496 738	(6 763 379)	103 733 359
Servitudes	3 552 458	-	3 552 458	3 552 458	-	3 552 458
Total	137 786 702	(14 182 894)	123 603 808	114 049 196	(6 763 379)	107 285 817

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software, other	103 733 359	23 737 505	(7 419 514)	120 051 350
Servitudes]	3 552 458	-	-	3 552 458

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

	2020 R	2019 R
8. Intangible assets (continued)	107 285 817	123 603 808

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Restatements	Amortisation	Total
Computer software, other	63 504 225	51 193 340	(8 795 277)	(2 168 929)	103 733 359
Service concession assets [State class]	-	3 552 458	-	-	3 552 458
	63 504 225	54 745 798	(8 795 277)	(2 168 929)	107 285 817

Intangible assets in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of Intangible assets

Computer software, other	52 132 826	52 988 302
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality

9. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	524 313	-	524 313	524 313	-	524 313
Historical buildings	1 940 298	-	1 940 298	1 940 298	-	1 940 298
Total	2 464 611	-	2 464 611	2 464 611	-	2 464 611

Reconciliation of heritage assets 2020

	Opening balance	Total
Art Collections, antiquities and exhibits	524 313	524 313
Historical buildings	1 940 298	1 940 298
	2 464 611	2 464 611

Reconciliation of heritage assets 2019

	Opening balance	Disposals	Total
Art Collections, antiquities and exhibits	524 313	-	524 313
Historical buildings	2 242 681	(302 383)	1 940 298
	2 766 994	(302 383)	2 464 611

10. Financial liabilities

At amortised cost

DBSA	289 958 177	310 478 504
Terms and conditions		
Nedbank	61 993 022	96 634 691
Terms and conditions		

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

	2020 R	2019 R
10. Financial liabilities (continued)		
Standard bank	264 903 198	295 520 755
Terms and conditions		
	616 854 397	702 633 950
Total other financial liabilities	616 854 397	702 633 950
Non-current liabilities		
At amortised cost	540 787 819	614 841 385
Current liabilities		
At amortised cost	76 066 578	87 792 565
Financial liabilities at fair value		

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

	2020 R	2019 R
11. Payables from exchange transactions		
Trade payables	345 256 798	256 164 120
Amounts received in advance	30 674 737	27 391 917
Retentions	39 679 771	52 468 869
Other payables	70 630 897	54 823 881
Accrued leave pay	17 503 241	14 279 909
	503 745 444	405 128 696

12. Consumer deposits

Electricity and Water	58 209 424	61 937 464
Other deposits	3 618 492	3 618 492
	61 827 916	65 555 956

Bank Guarantees in favour of the municipality for consumer deposits amounts to R 57 715 780.37 (2020) and R46 525 803.37(2019).

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Systems Improvement Grant	-	800 000
Municipal Water Infrastructure Grant	7 000 000	-
Provincial Housing Grant	2 925 059	2 315 351
Provincial Local Government Grants	11 898 460	6 252 720
Provincial Libraries Grant	1 351 510	1 263 066
uThungulu District	169 372	169 372
	23 344 401	10 800 509

The nature and extent of government grants recognised in the Annual Financial Statements and an indication of other forms of government assistance from which the Municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 21 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

14. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Additions	Total
Pro rata Bonus	16 518 380	5 303 761	21 822 141

Reconciliation of provisions - 2019

	Opening Balance	Additions	Total
Pro rata Bonus	15 176 264	1 342 116	16 518 380

Pro rata Bonus

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

	2020 R	2019 R
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14. Provisions (continued)

The bonus accrues to staff on an annual basis based on their anniversary month. The provision is an estimate of the amount payable to staff for the following year on a pro-rata basis. The timing of the amount is uncertain with regards to payment of pro-rata bonus when staff members resign.

15. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(224 236 000)	(220 079 000)
Current service cost	(8 459 000)	(8 328 000)
Interest cost	(22 278 000)	(21 929 000)
Actuarial gain	4 207 281	19 712 000
Benefits paid	6 837 719	6 388 000
	(243 928 000)	(224 236 000)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	228 393 000	224 236 000
Net amount recognised in the statement of financial performance	19 692 000	4 157 000
	248 085 000	228 393 000

Net amount recognised in the statement of financial performance

Current service cost	8 459 000	8 328 000
Interest cost	22 278 000	21 929 000
Actuarial (gains) losses	(4 207 281)	(19 712 000)
Settlement	(6 837 719)	(6 388 000)
	19 692 000	4 157 000

Key assumptions used

The Municipality operates on 5 accredited medical aid schemes, namely: Bonitas, Hosmed, Keyhealth, LA Health and Samwumed. Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, ZAQ Consultants and Actuaries, carried out a statutory valuation for the year ended 30 June 2020 with projected liabilities for year ending 2021 and 2022. There are no planned assets.

Discount rates used	Yield Curve	Yield Curve
Expected rate of return on assets		
Average Retirement Age	60 years	60 years
Medical cost trend rates	CPI+1%	CPI+1%

16. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2020

	Capital replacement reserve	Insurance reserve	Housing development fund	Accumulated surplus	Total
Opening balance	366 496 778	-	3 061 960	5 595 195 603	5 964 754 341
Transfer to capital replacement reserve	89 518 798	-	-	(89 518 798)	-
Surplus for the year	-	-	-	42 796 392	42 796 392
Contribution to insurance reserve	-	5 000 000	-	(5 000 000)	-

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

	2020 R	2019 R
16. Accumulated surplus (continued)		
	456 015 576	5 000 000
	3 061 960	5 543 473 197
	6 007 550 733	
17. Service charges		
Sale of electricity	1 347 751 604	1 298 484 098
Sale of water	465 714 263	414 491 081
Sewerage and sanitation charges	100 530 722	92 760 434
Refuse removal	93 818 415	84 696 387
	2 007 815 004	1 890 432 000
An amount of R12 602 527.04 (2019: R10 902 624.06) received in respect of prepaid electricity sales has been deferred and transferred to amounts received in advance.		
18. Operational Revenue		
Building plans	740 844	1 456 345
Extension fees	10 029 948	19 528 333
Connection fees	6 942 222	11 056 146
Skills levy fees	131 386	1 936 965
Insurance claims refund	559 295	3 074 092
Sundries	35 697 393	14 292 187
Advertisement	2 102 818	2 537 450
Transaction handling fees	-	694 221
Discount received	507 121	327 458
Meter Replacement	56 288	85 891
Vat Revenue - Grants	21 018 537	-
	77 785 852	54 989 088
19. Interest received - investment		
Interest revenue		
Bank	46 357 920	27 999 016
20. Property rates		
Rates received		
Residential	190 176 725	175 259 106
Commercial	129 705 816	120 618 436
State	34 717 173	32 533 342
Vacant land	63 403 088	55 661 905
Public benefit organisations	248 163	238 982
Agriculture	-	2 071 154
Industrial	160 746 847	150 758 277
Mining	851 825	801 507
Public service infrastructure	75 544	84 978
Less: Income forgone	(71 766 064)	(60 889 718)
	508 159 117	477 137 969
Property rates - penalties imposed	3 424 766	3 280 389
	511 583 883	480 418 358
Valuations		

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

	2020 R	2019 R
20. Property rates (continued)		
Residential	18 501 110 010	18 425 838 010
Commercial	5 956 917 092	5 899 456 092
State	3 194 337 601	3 185 926 600
Vacant land	2 553 012 000	2 602 678 977
Public benefit organisations	95 600 000	95 200 000
Agriculture	745 414 308	747 064 308
Industrial	7 076 592 000	7 072 372 000
Mining	35 942 000	35 942 000
Public service infrastructure	90 661 550	130 685 150
Multiple use	402 104 000	404 504 000
	38 651 690 561	38 599 667 137

The first valuation in terms of the Property Rates Act No.6 of 2004 came into effect on 01 July 2008. Valuations were performed on land and buildings together. Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2013. One supplementary valuation roll and objection roll in terms of the new Act were processed during the financial year. The following rate randage and ratio to residential tariff were applied:

	Rates Randage	Ratio to Residential Tariff
Residential	0,0103	1 : 1,00
Business/Commercial	0,0217	1 : 2,10
Industrial	0,0227	1 : 2,20
Agricultural	0,0026	1 : 0,25
Public Service Purposes (State owned)	0,0114	1 : 1,10
Public Services Infrastructure	0,0026	1 : 0,25
PBO's	0,0024	1 : 0,25
Mining	0,0237	1 : 2,30
Vacant Land	0,0217	1 : 2,10

Subject to the provisions contained in the Rates Policy and upon application, the following rebates were applied:

Agricultural Properties - 5%

Non-profit Organisations - 20%

Pensioners - R15 000 Valuation Reduction on primary developed property

In addition to the statutory R15 000 reduction in the valuation on residential properties, a further reduction of R105 000 of the valuation on all developed residential properties with >R40 000 was made.

Rates are levied on a monthly basis but upon request can be levied annually. The final date for payment of rates that are levied on an annual basis is 30 September of each year, and 30 June for monthly ratepayers. Interest of prime plus 1% is levied on outstanding rates.

21. Transfers and subsidies

Operating grants

Equitable Share	362 965 000	326 255 000
Financial Management Grant	2 588 012	2 603 947
Expanded Public Works Integrated Grant	4 492 000	5 189 000
Infrastructure Skills development Grant	-	2 300 000
Provincial Housing Grant	1 356 148	-
Provincial Libraries Grant	10 490 556	9 617 539
King Cetshwayo District Municipality	769 230	-

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

	2020 R	2019 R
21. Transfers and subsidies (continued)		
Municipal Disaster Relief Grant	1 192 000	-
Provincial Local government	-	753 490
Integrated Urban Development Grant	7 353 729	2 014 031
	391 206 675	348 733 007
Capital grants		
Integrated Urban Development Grant	108 347 284	89 217 078
Integrated National Electrification Program	-	2 650 169
Water Services Infrastructure Grant	21 739 130	-
Provincial Housing Grant	-	3 471 074
Provincial Local Government Grant	2 280 945	6 055 564
Financial Management Grant	61 988	46 053
Department of Human Settlement	237 000	-
Municipal Systems Improvement Grant	-	255 000
Energy Efficiency and Demand Side Management Grant	-	6 000 000
	132 666 347	107 694 938
	523 873 022	456 427 945

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Systems Improvement Grant

Balance unspent at beginning of year	800 000	-
Current-year receipts	-	1 055 000
Grant withheld	(800 000)	(255 000)
Conditions still to be met - remain liabilities (see note 13)	-	800 000

National Conditional Grants are allocated in terms of the Division of Revenue Act. The Municipal Systems Improvement Grant is used to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal systems act and related legislation.

Integrated Urban Development Grant

Current-year receipts	139 988 000	-
Conditions met - transferred to revenue	(115 701 013)	-
Conditions met - transferred to own revenue (VAT)	(17 286 987)	-
Conditions still to be met - remain liabilities (see note 13)	7 000 000	-

National Conditional Grant are allocated in terms of the Division of Revenue Act. The purpose of the grant is to provide funding for public investment in infrastructure for the poor and to promote increased access to municipal own sources of capital finance in order to increase funding for public investment in economic infrastructure; to ensure that public investments are spatially aligned and to promote the sound management of the assets delivered. No funds have been withheld.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

	2020 R	2019 R
21. Transfers and subsidies (continued)		
Municipal Infrastructure Grant		
Current-year receipts	-	104 604 000
Conditions met - transferred to revenue	-	(91 231 109)
Other	-	(13 372 891)
Conditions still to be met - remain liabilities (see note 13)	-	-

National Conditional Grants are allocated in terms of the Division of Revenue Act. The purpose of the grant is to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, microenterprises and social institutions servicing poor communities. No funds have been withheld. This grant was replaced with the Integrated Urban Development Grant (IUDG) in the 2019/2020 financial year. Council was selected to pilot the Integrated Urban Development Grant (IUDG). Under the IUDG municipalities will no longer require approval for individual projects to be funded through the grant. Instead, their capital investments must be aligned to a three-year capital programme that is aligned with a 10-year capital expenditure framework. This is a new type of grant in that municipalities must meet certain qualification criteria in order to participate.

Provincial Housing Grant

Balance unspent at beginning of year	2 315 351	2 167 378
Current-year receipts	1 839 780	3 494 158
Conditions met - transferred to revenue	(1 356 149)	(3 471 074)
Interest	126 077	124 889
Conditions still to be met - remain liabilities (see note 13)	2 925 059	2 315 351

Provincial Housing grants were allocated to assist in the refurbishment of various hostels. The grants are spent in accordance with a business plan approved by the Provincial Government. Funds were provided for the housing operating account. Funds were also provided for the Municipality to implement the Enhanced Extended Discount Benefit Scheme. No funds were withheld.

Infrastructure skills development grant

Current-year receipts	-	2 300 000
Other	-	(2 300 000)
Conditions still to be met - remain liabilities (see note 13)	-	-

National Conditional Grant are allocated in terms of the Division of Revenue Act. The purpose of the grant is to recruit unemployed graduates into municipalities to be trained and professionally registered, as per the requirements of the relevant statutory councils within the built environment. The remainder of the 2018/2019 allocation was not received as the programme was moved to another municipality.

Financial Management Grant

Current-year receipts	2 650 000	2 650 000
Conditions met - transferred to revenue	(2 650 000)	(2 650 000)
Conditions still to be met - remain liabilities (see note 13)	-	-

National Conditional Grant are allocated in terms of the Division of Revenue Act. The financial management grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA). No funds have been withheld.

Provincial Local Government Grant

Balance unspent at beginning of year	6 252 720	5 062 274
Current-year receipts	8 243 000	7 999 500
Conditions met - transferred to revenue	(2 280 945)	(6 809 054)

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

	2020 R	2019 R
21. Transfers and subsidies (continued)		
Conditions met - transferred to own revenue	(316 315)	-
Conditions still to be met - remain liabilities (see note 13)	11 898 460	6 252 720

Provincial local government grants are used to implement administrative and financial framework and to provide a municipal infrastructure framework. The grants are spent in accordance with a business plan approved by the Provincial government. No funds have been withheld.

Provincial Libraries/Museums Grant

Balance unspent at beginning of year	1 263 066	837 605
Current-year receipts	10 579 000	10 043 000
Conditions met - transferred to revenue	(10 490 556)	(9 617 539)
Conditions still to be met - remain liabilities (see note 13)	1 351 510	1 263 066

Funding were received for the installation of computer hardware and software for public internet access, the cost of the internet connectivity, furniture to house these computers and salaries for the employment of "cyber-cadets". The subsidies are spent in accordance with a business plan approved by the Provincial Government. A subsidy was also received for the operations of the museums. No funds have been withheld.

Water Services Infrastructure Grant

Current-year receipts	25 000 000	-
Conditions met - transferred to own revenue	(21 739 130)	-
Conditions met - transferred to own revenue (VAT)	(3 260 870)	-
Conditions still to be met - remain liabilities (see note 13)	-	-

National Conditional Grants are allocated in terms of the Division of Revenue Act. The purpose of this grant is to facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and enhance the sustainability of services especially in rural municipalities; provide basic and intermittent water and sanitation supply that ensures provision of services to identified and prioritised communities; support municipalities in implementing water conservation and water demand management projects; support drought relief projects in affected municipalities.

Expanded Public Works Integrated Grant

Current-year receipts	4 492 000	5 189 000
Conditions met - transferred to own revenue	(4 492 000)	(5 189 000)
Conditions still to be met - remain liabilities (see note 13)	-	-

National Conditional Grant are allocated in terms of the Division of Revenue Act. The grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in compliance with EPWP guidelines. No funds have been withheld.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

	2020 R	2019 R
21. Transfers and subsidies (continued)		
Integrated National Electrification Programme		
Balance unspent at beginning of year	-	2 650 169
Conditions met - transferred to revenue	-	(2 650 169)
Conditions still to be met - remain liabilities (see note 13)	-	-

National Conditional Grants are allocated in terms of the Division of Revenue Act. The purpose of the grant is to implement the Integrated National Electrification (INEP) by providing capital subsidies to municipalities to address the electrification backlog of all existing and planned residential dwellings (including informal settlements, farm dwellers, new and existing dwellings) and the installation of relevant bulk infrastructure.

King Cetshwayo District Municipality

Balance unspent at beginning of year	169 372	39 372
Current-year receipts	769 230	130 000
Conditions met - transferred to revenue	(769 230)	-
Conditions still to be met - remain liabilities (see note 13)	169 372	169 372

King Cetshwayo District Municipality allocated funds for the capacity building grant, for the beach protection project at Alkantstrand beach Richards Bay and also provided a subsidy to assist in the daily running of the Empangeni museum. No funds have been withheld.

Department of Human Settlement

Current-year receipts	237 000	-
Conditions met - transferred to revenue	(237 000)	-
	-	-

Conditions still to be met - remain liabilities (see note 13).

Department of Human Settlements donated Erf 10384 located in Brackenham

Energy efficiency and demand side management grant

Balance unspent at beginning of year	-	4 919 600
Current-year receipts	-	6 000 000
Conditions met - transferred to revenue	-	(4 919 600)
Other	-	(6 000 000)
	-	-

National Conditional Grants are allocated in term of the Division of Revenue Act. The purpose of the grant is to provide subsidies to municipalities to implement energy efficiency and demand side management (EEDSM) initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

Municipal Disaster Relief Grant

Current-year receipts	1 192 000	-
Conditions met - transferred to revenue	(1 192 000)	-
	-	-

Conditions still to be met - remain liabilities (see note 13).

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

	2020 R	2019 R
21. Transfers and subsidies (continued)		
National Conditional Grants are allocated in terms of the Division of Revenue Act. The purpose of the grant is to provide for the immediate release of funds for disaster response.		
22. Public contributions and donations		
Lotto Funding	-	1 565 668
Other Public contributions and donations	251 238	537 141
	251 238	2 102 809

23. Employee related costs

Basic	478 078 422	449 378 946
Bonus	43 559 195	37 258 917
Medical aid - company contributions	42 138 271	38 460 617
UIF	3 638 391	3 836 347
Leave pay provision charge	20 385 402	18 166 908
Other allowances	19 003 349	12 577 851
Defined contribution plans	6 837 719	6 156 919
Travel, motor car, accommodation, subsistence and other allowances	50 020 082	47 538 273
Overtime payments	59 535 352	50 331 332
Long-service awards	372 129	-
Housing benefits and allowances	4 067 435	4 239 143
Cellphone allowances	4 130 765	3 864 790
Contributions to pensions and group life	95 329 625	86 138 762
Protective Clothing Allowances	-	180 000
	827 096 137	758 128 805

2020 : Remuneration to senior managers & managers

	Municipal Manager	COO	DMM: Infrastructure Services	DMM:Electricity and Energy Services
Annual Remuneration	886 622	1 587 837	1 161 182	1 274 711
Annual Bonus	68 504	-	94 933	105 179
Performance Bonus	191 115	133 202	55 501	27 750
Contribution to UIF, Medical & Pension Fund	257 539	88 964	326 582	357 475
Travel Allowance	140 000	157 194	249 542	95 665
	1 543 780	1 967 197	1 887 740	1 860 780

2019 : Remuneration to senior managers & managers

	Municipal Manager	COO	DMM: Infrastructure Services	DMM:Electricity and Energy Services
Annual Remuneration	1 365 800	1 543 672	1 128 664	1 239 014
Annual Bonus	113 817	-	90 412	101 477
Contribution to UIF, Medical & Pension Fund	388 285	83 311	316 026	345 486
Travel Allowance	240 000	156 202	244 440	95 433
	2 107 902	1 783 185	1 779 542	1 781 410

2020 : Remuneration to senior managers & managers

	DMM: City Development	DMM: Community Services	DMM: Financial Services (CFO)	DMM: Corporate Services	Head: Engineering Services
Annual Remuneration	1 431 528	1 380 688	1 471 697	1 211 059	775 495
Annual Bonus	116 224	112 981	119 500	-	64 625

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

				2020 R	2019 R
23. Employee related costs (continued)					
Performance Bonus	199 803	88 801	183 153	149 852	-
Contribution to UIF, Medical & Pension Fund	126 057	75 321	35 055	147 599	254 471
Travel Allowance	157 209	262 928	204 600	66 362	320 865
	<u>2 030 821</u>	<u>1 920 719</u>	<u>2 014 005</u>	<u>1 574 872</u>	<u>1 415 456</u>

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

				2020 R	2019 R
23. Employee related costs (continued)					
2019 : Remuneration to senior managers & managers	DMM: City Development	DMM: Community Services	DMM: Financial Services (CFO)	DMM: Corporate Services	Head: Engineering Services
Annual Remuneration	1 391 439	1 343 319	1 426 468	1 478 348	728 164
Annual Bonus	109 606	107 589	113 429	-	60 680
Travel Allowance	154 622	259 556	204 600	183 223	304 000
Contribution to UIF, Medical & Pension Fund	193 085	68 366	59 425	105 024	288 873
	1 848 752	1 778 830	1 803 922	1 766 595	1 381 717
2020 : Remuneration to senior managers & managers	Head: Financial Service Exp	Head: Financial Service Revenue	Head: Roads, Transport and Stormwater	Head: Water and Sanitation	Head: Human Resources
Annual Remuneration	775 495	775 495	1 036 213	775 495	775 495
Annual Bonus	64 625	64 625	-	64 625	64 625
Housing Subsidy	10 893	-	-	-	-
Travel Allowance	320 865	320 865	328 525	320 865	320 865
Contribution to UIF, Medical & Pension Fund	302 533	295 379	282 764	239 649	224 146
	1 474 411	1 456 364	1 647 502	1 400 634	1 385 131
2019 : Remuneration to senior managers & managers	Head: Financial Service Exp	Head: Financial Service Revenue	Head: Roads, Transport and Stormwater	Head: Water and Sanitation	Head: Human Resources
Annual Remuneration	728 164	728 164	962 361	728 164	728 164
Annual Bonus	60 680	60 680	-	60 680	60 680
Housing Subsidy	10 228	-	-	-	-
Travel Allowance	304 000	304 000	343 204	304 000	304 000
Contribution to UIF, Medical & Pension Fund	284 017	215 028	272 782	225 351	218 854
	1 387 089	1 307 872	1 578 347	1 318 195	1 311 698

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

				2020 R	2019 R
23. Employee related costs (continued)					
2020 : Remuneration to senior managers & managers	Head:Public Health & Emergency Services	Head: Electrical Services	Head: Transport Facilities and Operations	Head: Corporate Services	Head: SCM
Annual Remuneration	775 495	18 433	775 495	775 495	775 495
Annual Bonus	64 625	-	64 625	64 625	64 625
Housing Subsidy	10 893	-	-	-	10 893
Travel Allowance	320 865	6 315	320 865	320 865	320 865
Contribution to UIF, Medical & Pension Fund	277 588	-	228 418	243 893	304 045
	1 449 466	24 748	1 389 403	1 404 878	1 475 923
2019 : Remuneration to senior managers & managers	Head:Public Health & Emergency Services	Head: Electrical Services	Head: Transport Facilities and Operations	Head: Corporate Services	Head: SCM
Annual Remuneration	728 164	54 256	728 164	728 164	728 164
Annual Bonus	60 680	-	60 680	60 680	10 228
Housing Subsidy	9 376	-	-	-	60 680
Travel Allowance	304 000	21 950	304 000	304 000	304 000
Contribution to UIF, Medical & Pension Fund	252 219	-	261 376	261 270	283 079
	1 354 439	76 206	1 354 220	1 354 114	1 386 151
24. Remuneration of councillors					
Mayor				1 091 397	847 064
Deputy Mayor				881 997	735 406
Executive Committee				6 574 729	5 465 745
Speaker				881 997	695 365
Councillors				20 411 707	19 875 133
Councillors' pension contribution				-	2 776 276
Chief Whip				829 647	-
Section 79 committee chairperson				806 614	-
				31 478 088	30 394 989
In-kind benefits					
The Mayor, Deputy Mayor, Speaker, Chief Whip and Executive Committee Members are full-time. They are provided with an office and secretarial support at the cost of Council.					
The Mayor, Speaker and the Deputy Mayor and Chief Whip each have the use of separate Council owned vehicles for official duties.					
25. Depreciation and amortisation					
Property, plant and equipment				347 537 001	461 530 604
Investment property				539 952	534 238
Intangible assets				7 419 514	2 168 930
				355 496 467	464 233 772
26. Finance costs					

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

	2020 R	2019 R
26. Contracted services (continued)		
Non-current borrowings	66 789 578	51 286 016
27. Debt impairment		
Contributions to debt impairment provision	223 678 807	129 135 230
Bad debts written off	7 023 033	34 597 862
	230 701 840	163 733 092
28. Bulk purchases		
Electricity - Eskom	937 914 629	865 607 570
Water	138 473 735	145 247 579
	1 076 388 364	1 010 855 149
29. Contracted services		
Outsourced Services		
Other Contractors	33 705 265	29 422 888
Cleaning Services	5 809 894	3 701 334
Meter Management	6 346 848	7 323 470
Security Services	63 871 764	60 558 273
Sewerage Services	107 389 469	74 560 440
Animal Care	-	392 000
Maintenance Contractors	72 347 849	136 433 709
	289 471 089	312 392 114
30. Transfers and subsidies		
Other subsidies		
Subsidies	13 382 160	15 781 690
Municipal Grants and Subsidies Paid		
SPCA	433 300	420 000
uMhlathuze 035 Experience	1 000 000	-
Spring Tour Music Festival	500 000	-
Sundries	373 860	568 152
Bursaries Employees Children	429 309	519 417
Dolosfees Festival	200 000	200 000
Jabulani Shandu eMatshana Tournament	80 000	-
Womens Summit	-	66 484
Senior Citizens	-	536 391
Operation Sukuma Sakhe Programs	41 935	213 044
Community Mayor Outreach	100 110	356 289
University Registrations	179 217	177 850
Aerobics (Women Day)	-	100 000
Last Dance Festival	-	1 000 000
Nkosi Mthiyane Schools Tournament	-	100 000
uMhlathuze Athletics Associations	-	100 000
Disaster Management Awareness Campaigns and Relief Assistance	446 437	296 874
Diwali Festival	50 000	-

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

	2020 R	2019 R
30. Transfers and subsidies (continued)		
Music Festival	16 300	-
Sebenza Women's Award	100 000	-
Richards Bay Football Club	2 500 000	2 500 000
freedom Day and Human Rights Day	-	50 426
Sanca Zululand	80 000	-
Christmas Party For Senior Citizens	340 000	-
uMhlathuze Community Tourism Association	194 000	171 761
Christmas Party for Children	76 000	-
Poverty Relief Programmes for Covid-19 Pandemic	2 028 498	-
Sizzle City Food-Sizzle City Media Tour	100 000	-
Sport Event	111 200	-
Mandela day	390 466	26 313
Profiling People With Disability/Disability Sector	-	117 641
uMhlathuze Local Football Association	-	170 000
Annual Aerobics Marathon	-	123 996
Youth Forum	-	542 085
Federations - Rugby	-	53 050
Downstream Aluminium Centre for Technology	296 528	188 000
Children	-	167 693
Religious Sector	50 000	74 244
Isithembiso Music Production CC	-	84 000
Sandile Gumede Annual Youth Football Tournament	115 000	-
Tono Boxing Promotion - Boxing South Africa	350 000	-
Pentecostal Holiness Church	-	172 500
Group Training Studio	100 000	-
Funeral - Former Councillor	-	84 161
Black Cuban Consulting	-	260 870
Agricultural Co-Operatives	-	499 044
SEDA Construction Incubator Trust	-	2 233 000
Soul and Jazz Experience	2 500 000	1 555 000
Madiba Jive Music Festival	200 000	250 000
Kufeziwe Gospel Celebration	-	150 000
Catering For 1300 Maidens	-	203 050
Operation Siyaya Emhlangeni	-	197 677
4th Annual Spring Tour Music Festival	-	300 000
uMhlathuze Music Festival	-	100 000
Sisters Help Desk Corner	-	500 000
Mavuso RG - Reimbursement of Home Contents	-	134 158
Ngwelezane Beneficiaries Subsidy	-	218 520
	13 382 160	15 781 690
31. Operating expenses		
Advertising	3 688 447	4 922 349
Auditors remuneration	5 223 925	5 291 892
Bank charges	9 125 891	9 512 127
Cleaning	13 650	23 621
Commission paid	9 335 887	6 549 460
Consulting and professional fees	31 052 748	33 885 840
Consumables	3 015 850	2 275 645
Legal expenses	13 434 506	13 501 079
Entertainment	23 785	200 132
Fines and penalties	106 789	-
Insurance	10 447 988	7 315 762
Community development and training	7 390 853	6 492 321

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

	2020 R	2019 R
31. Operating expenses (continued)		
Conferences and seminars	613 305	624 794
Employee Awards	110 270	693 396
Examination of samples	6 255 371	4 000 540
Levies	5 764 479	6 386 653
Motor vehicle expenses	2 848 067	-
Packaging	106 876	152 815
Pest control	93 988	78 355
Fuel and oil	26 807 076	23 744 572
Resettlement Cost	-	116 416
Postage and courier	2 359 934	2 224 502
Printing and publications	267 285	376 952
Workmen's Compensation Fund	3 788 433	3 325 340
External Computer Service	23 853 495	12 030 661
Subscriptions and membership fees	8 824 881	8 342 934
Telephone and fax	7 588 303	6 826 938
Refuse Site Fees	10 126 818	9 130 048
Uniforms	5 702 577	5 792 705
Bursaries	600 419	642 375
Indigent support	1 700 638	-
Licences	2 941 537	2 895 444
Materials and Supplies	65 426 738	83 732 578
Travel and Subsistence	3 661 902	5 804 634
Rental of property, plant and equipment	28 455 237	22 492 586
Venue expenses	1 155 989	3 361 695
Inventory loss	1 022 828	1 197 904
	302 936 765	293 945 065
32. Auditors' remuneration		
Fees	5 223 925	5 291 892
33. Cash generated from operations		
Surplus (deficit)	42 796 396	(113 386 468)
Adjustments for:		
Depreciation and amortisation	355 496 467	464 233 772
Loss on sale of assets and liabilities	19 845 146	11 689 152
Impairment deficit	868 309	8 424 712
Debt impairment	230 701 840	163 733 092
Movements in retirement benefit assets and liabilities	19 692 000	4 157 000
Movements in provisions	5 303 761	1 342 116
Changes in working capital:		
Inventories	(89 338)	(4 588 587)
Consumer debtors	(153 655 846)	(28 841 316)
Other receivables from non-exchange transactions	(43 782 257)	(77 807 206)
Payables from exchange transactions	98 616 748	(78 123 680)
VAT	7 302 600	3 726 251
Unspent conditional grants and receipts	12 543 892	(4 875 890)
Consumer deposits	(3 728 040)	3 727 062
	591 911 678	353 410 010
34. Commitments		
Authorised capital expenditure		

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

	2020 R	2019 R
34. Commitments (continued)		
Approved and contracted for		
• Property, plant and equipment	285 274 877	263 133 454
Total capital commitments		
Approved and contracted for	285 274 877	263 133 454

This committed expenditure relates to property, plant and equipment and will be financed by available bank facilities, government grants, funds internally generated, etc.

35. Contingencies

Guy Morton Shaw Smith N.O. and 2 others referred to as Indlovu Development Trust (Mzingazi Golf Estate developers) launched an application against council for an amount of R1 142 748.90 in respect of bulk services contribution. They claim that Council unlawfully appropriated this amount from the proceeds of the sale while council was only supposed to levy R 121 355.45. They seek an order for payment of the sum of R 1 142 748.90, interest at the rate of 9% per annum from the date of demand costs of suit and further and / or alternative relief. The matter was defended and is ongoing. The court date has not been set.

Council procured services from Kulu Civils in respect of Tenders 8/2/1/UMH22-15/16 and 8/2/1/UMH23-15/16. The contractor subsequently did not comply with the conditions in the letter of intention to award. The intention to award was subsequently cancelled. Kulu Civils has referred the matter to the Adjudicator who found in favour of the contractor that they were entitled to general costs, loss of profit. The decision of the Adjudicator has been challenged and a review application has been lodged in the High Court. The possible outflow of economic benefits is R500 000. The matter is ongoing.

Richards bay ski-boat club filed a case against the municipality called for not restoring electricity supply. The municipality received draft bill of costs after court hearing on 14/03/2019. The possible outflow of economic benefits is R 91 098.93.

Zululand yacht club legal case for rental charged by the municipality. The possible outflow of economic benefits is R 73 540.60

Contingent assets

Council instituted a claim of R 2 339 614 against Thinasobabile Trading for defective performance. The matter is awaiting a court date.

Council awarded a tender for long term lease: truck stop to Panda Petroleums with an agreement for monthly rental of R 160 000. The lessee failed to commence with the payments of the monthly rental as provided for in the deed of lease. Payments of the outstanding rentals and property rates as at 15 June 2017 was R 4 386 903.48. Discussions in this regard are still underway.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

Figures in Rand

36. Related parties

Remuneration of management

Executive committee members

2020

Name	Basic salary	Cellphone/Data	Travel Allowance	Medical Aid	Pension	Total
Mhlongo MG - Mayor	832 761	44 400	-	89 322	124 914	1 091 397
Sibiya KD - Deputy Mayor	507 421	44 400	209 399	44 664	76 113	881 997
Mkhize G - Speaker	674 152	44 400	-	62 322	101 123	881 997
Lourens M - Chief Whip	682 824	44 400	-	-	102 424	829 648
Fourie LCM - Executive Committee	41 093	3 581	15 832	-	6 401	66 907
Gumede TS - Executive Committee	644 389	44 400	16 359	27 840	96 658	829 646
Mthembu BC - Executive Committee	453 761	44 400	196 312	67 110	68 064	829 647
Mthethwa KN - Executive Committee	472 252	44 400	196 312	45 846	70 838	829 648
Ndimande DJ - Executive Committee	453 761	44 400	196 312	67 110	68 064	829 647
Phahla TM - Executive Committee	453 761	44 400	196 312	67 110	68 064	829 647
Sookroo M - Executive Committee	440 926	44 400	196 312	81 870	66 139	829 647
Zikhali RM - Executive Committee	473 279	44 400	196 312	44 664	70 992	829 647
Botha CM - Executive Committee	388 809	37 477	165 704	50 932	57 371	700 293
	6 519 189	529 458	1 585 166	648 790	977 165	10 259 768

2019

Name	Basic salary	Cellphone/Data	Travel Allowance	Medical Aid	Pension	Total
Mhlongo MG - Mayor	802 664	44 400	-	83 664	120 400	1 051 128
Sibiya KD - Deputy Mayor	489 661	44 400	201 345	40 926	73 449	849 781
Mkhize G - Speaker	650 965	44 400	-	56 772	97 645	849 782
Lourens M - Chief Whip	656 561	44 400	-	-	98 484	799 445
Fourie LCM - Executive Committee	492 421	44 400	188 761	-	73 863	799 445
Mthembu BC - Executive Committee	437 763	44 400	188 761	62 856	65 665	799 445

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

Figures in Rand

36. Related parties (continued)

Mthethwa KN - Executive Committee	454 902	44 400	188 761	43 146	68 235	799 444
Sookroo M - Executive Committee	428 706	44 400	188 761	73 272	64 306	799 445
Zikhali RM - Executive Committee	456 833	44 400	188 761	40 926	68 525	799 445
Phahla TM - Executive Committee	437 763	44 400	188 761	62 856	65 665	799 445
Gumede TS - Executive Committee	633 777	44 400	-	26 202	95 067	799 446
Ndimande DJ - Executive Committee	447 050	44 400	188 761	52 176	67 058	799 445
	6 389 066	532 800	1 522 672	542 796	958 362	9 945 696

Councillors/Mayoral committee members

2020

Name	Basic salary	Cellphone/Data	Travel Allowance	Medical Aid	Pension	Total
Executive committee members	6 519 189	529 458	1 585 166	648 790	977 165	10 259 768
Other Councillors	11 888 876	2 245 538	2 039 439	1 106 073	1 722 939	19 002 865
Section 79 full/part time	1 259 955	177 600	403 161	185 748	188 991	2 215 455
	19 668 020	2 952 596	4 027 766	1 940 611	2 889 095	31 478 088

2019

Name	Basic salary	Cellphone/Data	Travel Allowance	Medical Aid	Pension	Total
Executive committee members	6 389 066	532 800	1 522 672	542 796	958 362	9 945 696
Other Councillors	11 226 786	2 239 773	2 092 874	1 116 862	1 635 215	18 311 510
Section 79 full/part time	1 218 009	177 600	388 358	171 114	182 702	2 137 783
	18 833 861	2 950 173	4 003 904	1 830 772	2 776 279	30 394 989

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

2020
R

2019
R

37. Prior-year adjustments and reclassifications

During the year the Municipality reclassified different classes of property, plant and equipment and intangible assets. There were also asset that had been fully depreciated but still in use and prior depreciation had to been reversed and treated as prior period error. Receivables from non exchange was restated as prior years insurance expenditure on outstanding claims were written off to accumulated surplus. The Municipality also adjusted prior year receivables from exchange transactions due to billings transactions that were incorrectly processed in the prior year. Presented below are those items contained in the statement of financial position that have been affected by prior-year adjustments:

Statement of Financial Position

2019

	Note	As previously reported	Restatement	Reclassification	Restated
Property, plant and equipment	7	6 205 475 195	(31 751 600)	(184 494)	6 173 539 101
Intangible Assets	8	116 081 094	(8 795 277)	-	107 285 817
Investmet Property	6	86 798 936	839 015	184 494	87 822 445
Receivables from non exchange transactions	3	103 046 769	(5 874 510)	-	98 563 154
Receivables from exchange transactions	4	361 728 004	43 408 112	-	403 745 188
Accumulated Surplus	16	5 966 929 604	(2 174 260)	-	5 964 754 342
		12 840 059 602	(4 348 520)	-	12 835 710 047

Reclassifications

Reclassification

Reclassification of Inventory land

Part of land that was disclosed as inventory land has been transferred to property, plant and equipment as these will not have any sale commitment in the next 12 months.

Reclassification of impairment for receivables from non-exchange transactions

Impairment provision for sundry receivables as well as housing rental receivables was included as part of rates impairment. These amounts have been split for 2020 and 2019.

Description	Reclassification	Total
Reclassification from Inventory land	(15 675 000)	(15 675 000)
Reclassified to Property, plant and equipment (land)	15 675 000	15 675 000
Reclassification from rates impairment	(12 000 000)	(12 000 000)
Reclassification to sundry receivables impairment	8 800 000	8 800 000
Reclassification to housing rental receivables	3 200 000	3 200 000
	-	-

38. Financial risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: liquidity risk, credit risk and interest rate risk.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

2020
R

2019
R

38. Financial risk management (continued)

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by financial services department under policies approved by the accounting officer. Municipality's financial services department identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipality's approach is to ensure that sufficient liquidity is available to meet its liabilities when due. The municipality uses cash flow forecasts to ensure that sufficient cash is available to meet expected operating expenses. This is guided by working capital and revenue enhancement policy.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The credit profile of uMhlathuze Municipality issued by Moody's Investor Service for the 2019/20 financial year, reflects its prudent financial policies, solid operating performance and a strong liquidity position, with a rating of (Ba2).

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Up to one year	1 - 5 years	> 5 years	Total
Financial liabilities	134 747 556	590 841 116	145 237 375	870 826 047
Payables from exchange transactions	503 745 444	-	-	503 745 444
	638 493 000	590 841 116	145 237 375	1 374 571 491

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by Council. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2020	2019
Investments	490 000 000	390 000 000
Cash and cash equivalents	109 918 428	71 337 933
Receivables from exchange transactions	407 981 638	393 136 149
Receivables from non exchange transactions	14 278 875	39 729 657

Market risk

Interest rate risk

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

	2020 R	2019 R
38. Financial risk management (continued)		
As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.		
The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain its borrowings in fixed rate instruments.		
39. Events after the reporting date		
No material facts and circumstances have occurred between the accounting date and the date of this report that would have an impact on the financial statements.		
40. Unforeseen and unavoidable expenditure		
Incurred Expenditure	-	82 726 341
The unforeseen and unavoidable expenditure is mainly due an increase on expenditure of non-cash items namely depreciation and impairment. Ex pos facto condonation by Council in September 2019.		
41. Irregular expenditure		
Opening balance	125 161 354	77 628 008
Add: Irregular Expenditure - current year	51 666 829	47 533 346
	176 828 183	125 161 354
The irregular expenditure disclosed by the Municipality relates to Supply Chain Management Regulation 36 approvals by the Accounting Officer, Supply Chain Management Regulation 22 clause 2 (shortening of tender advertisement period) and the appointment of the ERP service provider. Current year expenditure relates to this same projects. This matter is still under investigation as resolved by MPAC.		
42. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	8 824 881	8 342 934
Audit fees		
Current year subscription / fee	5 223 925	5 291 892
PAYE and UIF		
Current year subscription / fee	135 776 558	121 677 106
Amount paid - current year	(135 776 558)	(121 677 106)
	-	-
Pension and Medical Aid Deductions		
Opening balance	(1 953)	(1 953)
Current year subscription / fee	211 192 647	178 997 847
Amount paid - current year	(211 186 253)	(178 997 847)
Amount paid - previous years	(4 441)	1 953
	-	-

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

	2020 R	2019 R
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42. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT payable	22 487 999	14 327 754
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All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at :

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
MHLONGO MG	804	-	804
MTHEMBU SN	1 255	2 353	3 608
MTHETHWA K N	515	80	595
NTULI DE	107	145 569	145 676
XULU ZZ	1 701	7 133	8 834
	4 382	155 135	159 517
30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mthembu SN	43	3 898	3 941
Mthethwa KN	1 512	84 763	86 275
Ntuli DE	8 451	146 472	154 923
	10 006	235 133	245 139

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident

Emergency	42 543 714	3 044 330
Sole provider	7 465 105	4 520 602
Exceptional case where it is impossible to follow official procurement process	17 541 085	22 293 541
	67 549 904	29 858 473

43. Budget differences

Explanation of variances between approved and final budget amounts

Explanation of variances greater than 20% between final budget and actual amounts

Statement of Financial Performance

Revenue

Other Income: The variance is the result of VAT recieved for Intergrated Urban Development Grant .

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

2020
R

2019
R

43. Budget differences (continued)

Interest Received- Investment: The variance is the result of increase in surplus funds available for investments during the year.

Fines, penalties and forfeits: The variance is due to the commencement of the new tender for the issuing and collection of fines.

Expenditure

Depreciation: The variance is mainly due to revision of useful lives of infrastructure assets which resulted in a decrease in current year charges.

Debt impairment: The variance is mainly due to increase in impairment allowance of rural water accounts and other services.

Contracted Services: The variance is mainly due to reduced expenditure on sewerage and waste disposal

44. Accounting by principals and agents

The Municipality is a party to a principal-agent arrangement(s).

Details of the arrangement(s) is/are as follows:

Department of Transport.

The Municipality acts on behalf of the Department to issue licences to, and collect money from motorists, i.e. there are three parties to the arrangement, principal (Department of Transport), agent (uMhlathuze Municipality) and third party (motorists).

As the Department of transport is responsible for issuing the licence, the transaction is however between the Department of Transport and the motorist, i.e. the municipality is not a party to the transaction with the third parties. The municipality facilitates the issuing of these licenses and the collection of the prescribed fees.

The Municipality receives a fee of 8.55% of the transaction amount and there were no changes that occurred during the reporting period

Department of Human Settlements

The Municipality acts as an agent on behalf of the Department for the implementation of housing projects. The Municipality receives funds from the Department and pays it over to contractors once invoices are received and certified by the Department.

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R5 660 351 (2019: R6 406 951).

Additional information

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Reconciliation of the carrying amount of payables

Department of Human Settlements

Amount received from principal	135 363 485	-
Cash paid on behalf of the principal	(90 071 682)	-
	45 291 803	-

All categories

Expenses incurred on behalf of the principal	135 363 485	-
Cash paid on behalf of the principal	(90 071 682)	-

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

	2020 R	2019 R
44. Accounting by principals and agents (continued)		
	45 291 803	-
Resources (including assets and liabilities) of the entity under the custodianship of the agent		
The resources have been recognised/have not been recognised by the agent in its financial statements. [Choose as appropriate]		
The remittance of resources during the period [State details].		
The expected timing of remittance of remaining resources by the agent to the entity, are [State timing and details].		
The expected timing of remittance of remaining resources by the agent to third parties, are [State timing and details].		
Resource or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].		
[Provide additional info as appropriate]		
Fee paid		
Resource and/or cost implications for the entity if the principal-agent arrangement is terminated		
The resource and/or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].		
[Provide additional info as appropriate]		
45. Surcharges and Taxes		
Water surcharges	4 665 230	4 072 533
46. Gaurantees		
Gaurantee by uMhlathuze Municipality in respect of Postal Services is R400 000		
47. VAT payable		
VAT	22 487 999	14 327 754
48. Operating lease		
The municipality as a lessee		
At the reporting date, the municipality has an outstanding commitments under operating leases which fall due as follows:		
IT equipment	2020	2019
Within one year	4 253 664	3 249 736
In the second to the fifth year inclusive	6 920 328	-
	11 173 992	3 249 736
Operating lease payment represents rentals payments by the municipality for certain of its offices. The municipality also has current lease arrangements for three years for printers. No contingent rent is payable.		
49. Change in estimate		
Property, plant and equipment		

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements for the year ended 30 June 2020

2020	2019
R	R

49. Change in estimate (continued)

The municipality in the current financial year changed the estimated useful lives of certain property, plant and equipment, intangible assets and investment properties that were reaching their initial estimated useful lives. The effect of this revision has reduced the depreciation charges for the current and future periods by R125 939 530.

50. Water Losses

Water losses for uMhlathuze Municipality calculated at a unit cost per kilolitre

Total produced and purchased (KL) amounts to:	34 430 635	39 355 555
Total sold (KL)	26 342 905	30 236 353
Water loss (KL)	8 087 730	9 119 202
% Loss	23	23
Variable cost (KL)	7	6
Loss in rand value	58 474 287	60 733 885

Water Losses are attributed to the following reasons:

Non-technical reasons: Included in these losses is measured water through bulk meters supplying the Traditional Areas of Mkhwanazi South, North and Dube. However individuals are not metered yet hence not billed and therefore recorded as lost at this stage.

Technical reasons: Aged reticulation without sufficient replacement, refurbishment and maintenance.

51. Electricity Losses

Electricity losses for uMhlathuze Municipality calculated at a unit cost per kilowatt

Total purchases (KW)	990 962 950	1 040 169 844
Total sold (KW)	925 159 517	977 742 107
Electricity loss (KW)	65 803 433	62 427 737
% Loss	7	6
Unit cost / KW	1,17	0,89
Loss in rand value	76 965 872	55 268 073

Electricity losses are attributable to the following reasons:

Non-technical reasons : Theft, unmetered supply and error in metering.

Technical reasons : Electrical resistivity in the network. Ageing of network without sufficient replacement, refurbishment and maintenance. Incorrect meter calibration and monitoring.

Appendix A

June 2020

Schedule of external loans as at 30 June 2020

Loan Number	Redeemable	Balance at Sunday, 30 June 2019	Received during the period	Redeemed written off during the period / Interest accrued	Balance at Tuesday, 30 June 2020	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
Development Bank of South Africa							
DBSA (9,70%)	61007577	2029/06/29	310 478 504	-	20 520 327	289 958 177	-
			310 478 504	-	20 520 327	289 958 177	-
Other loans							
Nedbank (11,26%)	05/7831/2	2019/12/31	15 085 391	-	15 085 391	-	-
Nedbank (9,59%)	1003878/3	2022/06/17	31 521 546	-	9 528 525	21 993 021	-
Nedbank (10,13%)	1003878/4	2024/06/28	50 027 753	-	10 027 753	40 000 000	-
Standard Bank	407554	2026/06/30	295 520 755	-	30 617 558	264 903 197	-
			392 155 445	-	65 259 227	326 896 218	-
Total external loans							
Development Bank of South Africa			310 478 504	-	20 520 327	289 958 177	-
Other loans			392 155 445	-	65 259 227	326 896 218	-
			702 633 949	-	85 779 554	616 854 395	-

Appendix B

June 2020

Analysis of property, plant and equipment as at 30 June 2020

Cost/Revaluation

Accumulated depreciation

	Opening Balance	Acc Depr	Acquisitions	Transfers	Other changes, movements	Closing Balance	Opening Balance	Acquisitions	disposal	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings													
Land (Separate for AFS purposes)	1 267 582 533	-	237 000	-	15 675 000	1 283 494 533	-	-	(9 494 098)	-	-	(9 494 098)	1 274 000 435
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
	1 267 582 533	-	237 000	-	15 675 000	1 283 494 533	-	-	(9 494 098)	-	-	(9 494 098)	1 274 000 435
Infrastructure													
Electrical Infrastructure	902 538 420	(356 295 048)	-	-	11 033 860	557 277 232	-	24 243 309	(2 416 063)	(26 420 102)	-	(4 592 856)	552 684 376
Storm water Infrastructure	1 140 247 712	(839 794 241)	-	-	9 681 716	310 135 187	-	7 292 969	-	(16 900 410)	(64 517)	(9 671 958)	300 463 229
Coastal Infrastructure	36 758 777	(18 298 581)	-	-	163 300	18 623 496	-	440 020	-	(702 647)	-	(262 627)	18 360 869
Information and communication	85 839 707	(6 665 056)	-	-	585 606	79 760 257	-	3 719 200	(1 265 504)	(2 356 791)	-	96 905	79 857 162
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Rail Infrastructure	6 106 569	(4 443 407)	-	-	-	1 663 162	-	-	-	(92 203)	-	(92 203)	1 570 959
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Infrastructure	2 470 445 215	(1 577 884 292)	-	-	(21 464 482)	871 096 441	-	77 402 783	(138 057)	(53 785 237)	-	23 479 489	894 575 930
Solid waste infrastructure	12 797 554	(5 149 855)	-	-	149 000	7 796 699	-	-	-	(548 378)	-	(548 378)	7 248 321
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Sanitation Infrastructure	1 790 275 309	(1 062 333 817)	-	-	563 890	728 505 382	-	44 291 578	-	(57 411 476)	15 063	(13 104 835)	715 400 547
Water Supply infrastructure	5 009 503 556	(3 580 584 975)	-	-	(712 890)	1 428 205 691	-	114 068 174	(4 748 373)	(85 989 074)	(88 632)	23 242 095	1 451 447 786
Security Measures	-	-	-	-	-	-	-	-	-	-	-	-	-
	11 454 512 819	(7 451 449 272)	-	-	-	4 003 063 547	-	271 458 033	(8 567 997)	(244 206 318)	(138 086)	18 545 632	4 021 609 179
Community Assets													
Community facilities	294 664 116	(96 685 452)	-	-	(7 085 079)	190 893 585	-	23 470 008	(261 214)	(13 325 251)	(205 802)	9 677 741	200 571 326
Clinics/Care Centres	-	-	-	-	-	-	-	-	-	-	-	-	-
Creches	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire/Ambulance Stations	-	-	-	-	-	-	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-
Parks	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Ablution Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxi Ranks/Bus Terminals	-	-	-	-	-	-	-	-	-	-	-	-	-
Sport & Recreation Facilities	228 947 680	(100 935 194)	-	-	7 085 079	135 097 565	-	-	-	(12 395 694)	-	(12 395 694)	122 701 871
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-
	523 611 796	(197 620 646)	-	-	-	325 991 150	-	23 470 008	(261 214)	(25 720 945)	(205 802)	(2 717 953)	323 273 197

Appendix B

June 2020

Analysis of property, plant and equipment as at 30 June 2020

Cost/Revaluation Accumulated depreciation

	Opening Balance	Acc Depr	Acquisitions	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Acquisitions	disposal	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Heritage assets														
Buildings	2 306 561	-	-	-	-	-	2 306 561	-	-	-	-	-	-	2 306 561
Painting and art galleries	158 050	-	-	-	-	-	158 050	-	-	-	-	-	-	158 050
	2 464 611	-	-	-	-	-	2 464 611	-	-	-	-	-	-	2 464 611
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
Computer Equipment	45 495 743	(30 150 929)	-	-	-	-	15 344 814	-	183 510	(28 495)	(5 163 145)	-	(5 008 130)	10 336 684
Furniture and Office Equipment	26 996 832	(17 752 829)	-	-	-	-	9 244 003	-	1 527 262	-	(2 924 623)	-	(1 397 361)	7 846 642
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Machinery and Equipment	332 376 941	(152 019 756)	-	-	-	-	180 357 185	-	29 990 788	-	(30 716 241)	-	(725 453)	179 631 732
Operational Buildings	305 127 091	(144 509 250)	-	-	-	-	160 617 841	-	13 418 947	(274 789)	(14 109 606)	(524 421)	(1 489 869)	159 127 972
Transport Assets	124 102 997	(68 948 245)	-	-	-	-	55 154 752	-	2 339 565	(308 195)	(14 226 573)	-	(12 195 203)	42 959 549
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land main investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water craft	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	183 371 441	(26 028 568)	-	-	-	-	157 342 873	-	-	-	(10 469 187)	-	(10 469 187)	146 873 686
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1 017 471 045	(439 409 577)	-	-	-	-	578 061 468	-	47 460 072	(611 479)	(77 609 375)	(524 421)	(31 285 203)	546 776 265

Appendix B

June 2020

Analysis of property, plant and equipment as at 30 June 2020

Cost/Revaluation

Accumulated depreciation

	Opening Balance	Acc Depr	Acquisitions	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Acquisitions	disposal	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total property plant and equipment														
Land and buildings	1 267 582 533	-	237 000	-	-	15 675 000	1 283 494 533	-	-	(9 494 098)	-	-	(9 494 098)	1 274 000 435
Infrastructure	11 454 512 819	7 451 449 272	-	-	-	-	4 003 063 547	-	271 458 033	(8 567 997)	(244 206 318)	(138 086)	18 545 632	4 021 609 179
Community Assets	523 611 796	(197 620 646)	-	-	-	-	325 991 150	-	23 470 008	(261 214)	(25 720 945)	(205 802)	(2 717 953)	323 273 197
Heritage assets	2 464 611	-	-	-	-	-	2 464 611	-	-	-	-	-	-	2 464 611
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	1 017 471 045	(439 409 577)	-	-	-	-	578 061 468	-	47 460 072	(611 479)	(77 609 375)	(524 421)	(31 285 203)	546 776 265
	14 265 642 804	8 088 479 495	237 000	-	-	15 675 000	6 193 075 309	-	342 388 113	(18 934 788)	(347 536 638)	(868 309)	(24 951 622)	6 168 123 687
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	114 049 196	(6 763 379)	-	-	-	-	107 285 817	-	23 737 506	-	(7 419 514)	-	16 317 992	123 603 809
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	114 049 196	(6 763 379)	-	-	-	-	107 285 817	-	23 737 506	-	(7 419 514)	-	16 317 992	123 603 809
Investment properties														
Investment property	94 257 034	(6 434 587)	-	-	-	-	87 822 447	-	-	(1 355)	(539 952)	-	(541 307)	87 281 140
	94 257 034	(6 434 587)	-	-	-	-	87 822 447	-	-	(1 355)	(539 952)	-	(541 307)	87 281 140
Total														
Land and buildings	1 267 582 533	-	237 000	-	-	15 675 000	1 283 494 533	-	-	(9 494 098)	-	-	(9 494 098)	1 274 000 435
Infrastructure	11 454 512 819	7 451 449 272	-	-	-	-	4 003 063 547	-	271 458 033	(8 567 997)	(244 206 318)	(138 086)	18 545 632	4 021 609 179
Community Assets	523 611 796	(197 620 646)	-	-	-	-	325 991 150	-	23 470 008	(261 214)	(25 720 945)	(205 802)	(2 717 953)	323 273 197
Heritage assets	2 464 611	-	-	-	-	-	2 464 611	-	-	-	-	-	-	2 464 611
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	1 017 471 045	(439 409 577)	-	-	-	-	578 061 468	-	47 460 072	(611 479)	(77 609 375)	(524 421)	(31 285 203)	546 776 265
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	114 049 196	(6 763 379)	-	-	-	-	107 285 817	-	23 737 506	-	(7 419 514)	-	16 317 992	123 603 809
Investment properties	94 257 034	(6 434 587)	-	-	-	-	87 822 447	-	-	(1 355)	(539 952)	-	(541 307)	87 281 140
	14 473 949 034	8 101 677 461	237 000	-	-	15 675 000	6 388 183 573	-	366 125 619	(18 936 143)	(355 496 104)	(868 309)	(9 174 937)	6 379 008 636

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2020

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / w	
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Dec	Mar
Museum Subsidy	KZN - Dept of Edu & Culture	-	202 000	-	-	1 165 284	937 408	1 086 401	616 363	-	-
Housing operationa acc	KZN - Dept of Housing	1 020 806	-	-	-	4 627 525	5 100 762	6 812 631	12 250 519	-	-
Municipal Infrastructure Grant	National Treasury	-	-	-	-	-	-	-	-	-	-
Financial Management Grant	National Treasury	-	-	-	-	294 717	512 519	380 103	1 462 660	-	-
Equitable share	National Treasury	151 235 000	120 988 000	90 742 000	-	-	-	-	-	-	-
EPWP		1 123 000	2 022 000	1 347 000	-	635 476	1 370 068	1 546 764	939 692	-	-
Energy effecient and demand mngt	National Treasury	-	-	-	-	-	-	-	-	4 919 600	-
Provincial golden games	KCDM	-	769 230	-	-	-	769 230	-	-	-	-
Water services Infrastructure	National Treasury	5 000 000	-	20 000 000	-	-	3 479 683	6 841 844	14 678 474	-	-
Municipal Disaster relief grant	National Treasury	-	-	-	1 192 000	-	-	-	1 192 000	-	-
eSikhawini hostel refurbishmen t	KZN - Dept of Hosing	29 141	28 449	27 498	22 859	-	-	134 137	201 206	-	-
INEP	National treasury	-	-	-	-	-	-	-	-	-	-

Beach Protection	KCDM	-	-	-	-	-	-	-	-	-	-
Implementation of the enhanced extended discount benefit scheme	KZN - Dept of Housing	3 779	3 895	824 069	5 361	-	-	-	-	-	-
Libraries - Internet Access	KZN - Dept of library services	-	1 688 000	-	-	262 730	396 060	520 033	420 733	-	-
Library Subsidy	KZN - Dept of library services	-	8 689 000	-	-	5 877 436	6 387 928	6 829 412	6 284 299	-	-
Career Expo	Dept of public works	-	-	-	-	-	-	-	-	-	-
Asset Donated	Dept of Arts & Culture	-	-	-	-	-	-	-	-	-	-
Asset Donated	Dept of sport	-	-	-	-	-	-	-	-	-	-
Richards Bay Airport	KZN - Economic Development & Tourism	-	-	-	-	-	-	-	-	-	-
Service delivery on Electrical Services	KZN - COGTA	-	-	-	-	-	-	-	-	-	-
Donated land	Department of human settlement	-	-	-	237 000	-	-	-	237 000	-	-
Tourism Development	KZN - COGTA	-	-	-	-	-	-	-	-	-	-
Municipal Excellence Award	KZN - COGTA	-	-	-	-	-	-	-	-	-	-
Implement of the enhanced discount benefit	KZN - Housing	-	-	-	-	-	-	-	-	-	-
Comm Dev Programme	KZN - COGTA	-	-	-	-	-	-	-	-	-	-
GIS	KZN - COGTA	-	-	-	-	-	-	-	-	-	-
Sport & Rec	Dept of Sport	-	4 121 500	4 121 500	-	-	-	2 280 945	-	-	-
Cleanest town	Water Affairs	-	-	-	-	-	-	-	-	-	-
Intergrated urban development grant	National Treasury	33 662 000	-	106 326 000	-	28 627 183	26 190 847	11 420 330	66 749 641	-	-
		192 073 726	138 512 074	223 388 067	1 457 220	41 490 351	45 144 505	37 852 600	105 032 587	4 919 600	-

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.